

AMERICAN NEWS

Argentina suspends all foreign currency payments

By PETER BAINS IN BUENOS AIRES

ARGENTINE ECONOMIC authorities suspended all foreign currency remittances yesterday as the central bank prepared new measures to establish a system of priorities and import controls to protect dwindling currency reserves, banking officials said.

The ban on remittances had been announced over the weekend, and companies and banks were told to resubmit requests to the central bank. The government has also stopped sending dollars to Argentines wishing to travel abroad.

The move came as Sr Federico Pinto Kramer, a Federal judge in the Argentine province of Santa Cruz, dashed hopes of a quick resolution to the deadlock over the rescheduling of state company foreign debts totalling \$7.5bn.

The judge had earlier imposed a "freeze" on all new debt rescheduling agreements, basing himself on legal objections to the "extraneous jurisdiction" clauses, which provide for disputes to be settled in New York courts.

The Government appealed against the decision, and Judge Pinto Kramer responded by saying that the authorities were entitled to sign new rescheduling agreements, but only on condition that the extraneous jurisdiction clauses were not

Feldstein sees good growth for 1983

By Anatole Kaletsky in Washington

U.S. ECONOMIC growth will be between 6 and 6.5 per cent from the end of 1982 to the end of 1983, Mr Martin Feldstein, chairman of the council of economic advisers, said yesterday. Mr Feldstein's prediction, which he described as a "personal estimate," is one percentage point higher than the Reagan administration's latest official forecast of 5.5 per cent growth.

But Mr Feldstein said that his long-range forecast for average annual growth of 4 per cent between 1983 and 1988, remains unchanged.

The ban on foreign currency remittances created confusion on the dollar black market, where most operators are refusing to give quotations on Monday. It was widely expected that the black market dollar, which closed at 25.35 pesos on Friday, would surge upwards to at least 26.00 pesos. These black market rates compare with an official rate of 13.1 pesos.

There was also confusion on the real size of the country's overdue and unpaid interest and commercial debts. The central bank has not been releasing figures. Estimates ranged from \$1bn at the top end down to \$500m or less, according to Central Bank officials. Banking officials said that Argentina had reduced the backlog in August but that it was now increasing again.

Trade union leaders were due to take a decision yesterday afternoon on whether to press ahead or call off the 24-hour general strike due today.

Mr Feldstein, who was speaking at a business week conference, also insisted that President Ronald Reagan remained committed to reducing U.S. budget deficits in the years ahead. Commenting on recent statements by Mr Donald Regan, the Treasury Secretary, to the effect that there are no known links between large budget deficits and high interest rates, Mr Feldstein declared that the President believes "strongly and firmly" that deficits are harmful to our economy. It was "utter nonsense" to suggest that the President had backed away from his proposals to increase taxes from 1985 onwards if this proved necessary to curb deficits.

But Mr Regan, speaking separately to another Washington audience, repeated yesterday that "spending restraint and not tax increases" were the best way to deal with budget deficits.

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OVERSEAS NEWS

Prices of subsidised goods raised in Israel by 6%

BY DAVID LENNON IN TEL AVIV

THE ISRAELI Government raised the price of subsidised goods yesterday by 6 per cent, a signal that it is abandoning its attempt to combat triple-digit inflation by holding down the prices of basic goods and services.

The accumulating bad news about the economy has been ignored and belittled in public by the Treasury for weeks, but it now appears to have realised that the foreign debt price tax for the past year's unsuccessful war of inflation is endangering the country's standing in the world as a credit-worthy borrower.

The Treasury has been pouring money into the subsidies on basic commodities for the past year. This was part of the policy to keep the monthly price increase down to 5 per cent, regardless of the real rate of inflation in the economy, which always exceeded this amount.

But yesterday the dam began to crack. Indeed, if it was not for some ministerial opposition, the increases would have been 10 per cent.

Now that the Government appears to be abandoning its failed policy of trying to fight inflation through massive support for the shekel and subsidies, there is a growing expectation of more severe economic steps.

But the interim caretaker Government is probably too

divided to approve any radical change of economic policy and the attempts to form a new coalition quickly appear to be foiling.

Mr Yitzhak Shamir, who was invited by the President to try to form a new government is planning to seek Knesset

approval for his coalition to-morrow or on Thursday. But his chances of winning parliamentary approval appeared to dim yesterday.

Six maverick members of his own Likud bloc asked him yesterday to delay presenting his coalition to the Knesset for approval while attempts are renewed to bring the opposition Labour Party into a broad coalition of national unity.

Egypt goes to polls today

BY CHARLES RICHARDS IN CAIRO

EGYPT'S ruling National Democratic Party is set for a clean sweep of 70 seats in today's elections for the Upper House, the Shura Council, following the decision of the small opposition parties to boycott the elections because of objections to electoral procedure.

Half of the 210 seats of the Council are to be filled, 70 by ballot, 35 by direct presidential appointment.

President Hosni Mubarak's choice of appointees will indicate the degree of political diversity he desires in the largely consultative chamber. Already a number of prominent opposition figures have indicated that if asked they would not accept an appointment.

Britain under fire over Hong Kong

By Mark Baker in Peking

THE BRITISH Government came under fire from China yesterday for recent comments on the future of Hong Kong, intensifying the war of words between the two governments.

Both Mrs Margaret Thatcher, the British Prime Minister, and Mr Richard Luce, the Foreign Office Minister responsible for the colony, were accused of making "inappropriate remarks" by the Chinese Foreign Ministry.

Of late responsible personnel of the British Government have time and again talked improperly about the future of Hong Kong and this aroused serious attention from various circles," a spokesman said in Peking.

China and Britain are now conducting talks on the Hong Kong question. We hope that both sides show sincere and co-operative attitudes towards the talks so that positive results can be achieved at an early date.

Inappropriate remarks made by British leaders cannot lead to a reasonable solution of the question, but serve to make the talks more difficult,"

The criticism appears to be directed particularly at remarks made by Mr Luce last Wednesday during a visit to Hong Kong. He had described earlier public statements by China as "unhelpful" to the talks and given a warning against "megaphone diplomacy."

But Xinhua, the Chinese news agency, said the Foreign Ministry criticism was also aimed at Mrs Thatcher, who had said on September 23 that there was "great political and financial uncertainty" about the colony's future.

Interior Minister Hassan Abu Basha said that over the past year police had uncovered 13 terrorist groups, and found 18,000 rounds of ammunition, 25 rockets and nearly a quarter of a tonne of explosives.

Over the past two months the minister has revealed the arrests of a large number of terrorist suspects, covering the whole range from Islamic extremists to armed Communists as well as Palestinian and Libyan-backed groups.

Japan's almanac points to winter election

BY JUREK MARTIN IN TOKYO



FORMER JAPANESE Prime Minister Kakuei Tanaka (left), was reported to be ill yesterday, nine days before a court verdict on his alleged involvement in the Lockheed scandal. He suffered a sudden rise in blood pressure, but his condition was said not to be serious. The verdict in the Tanaka trial may be a key factor in when Mr Yasuhiro Nakasone (right) calls an election.



budget cutting, and some higher indirect taxes, which the opposition reckons it can fight profitably in the eyes of the public.

The opposition Socialist Party, in particular, is likely to throw a fit if the Government tries to pare down the recommendations on civil service pay from its quasi-independent National Personnel Agency. It did so last year, but to no avail, as bureaucratic salaries ended up frozen for the year. Whenever the promised economic package stressing import promotion is unveiled (now scheduled, tentatively, for late October, but in any case before the Reagan visit) there are bound to be objections and criticisms from both sides of parliament.

The point is that any or all of these actions could come to a head at any time. Mr Keizo Obuchi, a leading member of the Tanaka faction of the LDP, either support it or abstain from voting. Their dislike of Mr Tanaka appears profound but perhaps not to the point of going that far. Thus if the motion to remove him is blocked, the opposition may have recourse to that favourite Japanese political tactic, the parliamentary boycott.

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WORLD SHIPBUILDING INDUSTRY

Rays of hope—but jobs are still under threat

By Andrew Fisher, Shipping Correspondent

SHIPYARD MANAGERS around the world have become all too used to sheltering from the bitter winds that have swept through the industry in recent years. But there are some rays of hope, though still faint and unlikely to save many of the jobs now on the line as demand from struggling shipowners remains weak.

As world economies, led by the U.S., move slowly out of bottom gear, demand for cargo space and eventually for new ships will increase. Freight rates have been moving up this year, though hesitantly and patchily. New orders for vessels actually rose in the second quarter of 1983.

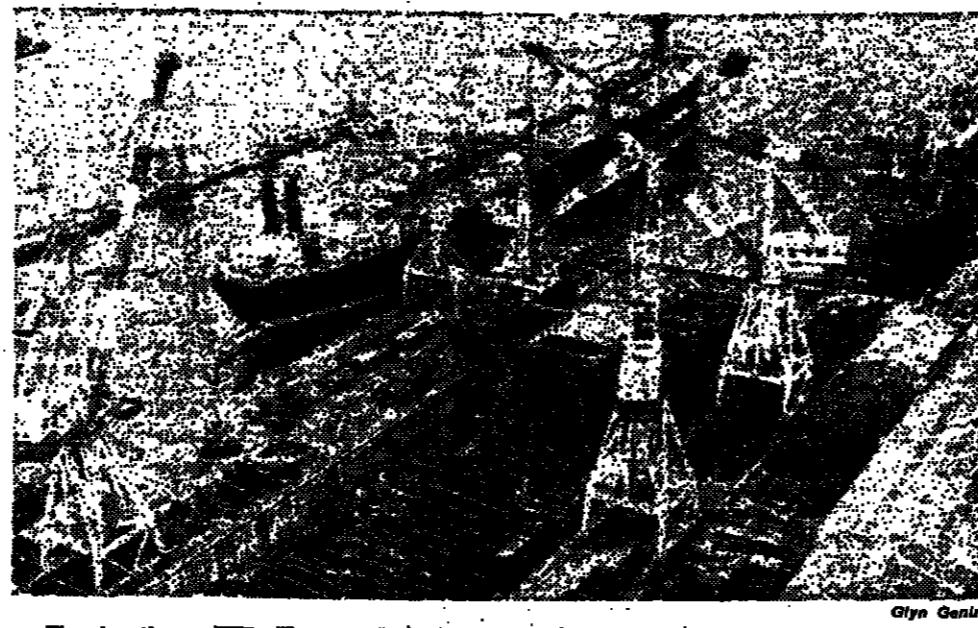
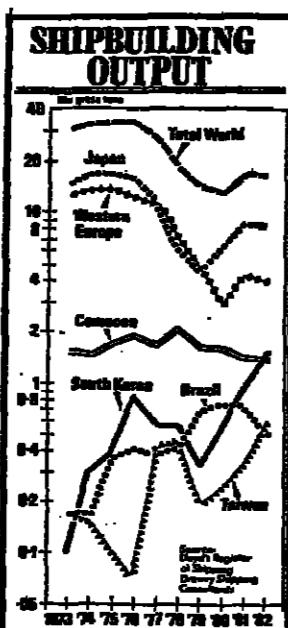
None of this is cause for celebration—not yet, at least. Shipowners remain convinced that there is still far too much building capacity available. This, they argue, leads to price cutting by eager yards in hard times, which in turn delays a reduction of the tonnage surplus.

"Current world shipbuilding capacity is said to be around 40 per cent greater than is required," note London analysts Drewry Shipping Consultants in a recent study of the industry.

"As long as there is overcapacity in shipbuilding, there will be over-supply of tonnage in virtually all trades," comments Fearnleys, the Oslo shipbroking firm. "Further reduction in world shipbuilding output is still an essential ingredient in the re-establishment of balance between supply and demand for seaborne transportation."

Since the heady shipbuilding days of the early 1970s, world order books have shrunk alarmingly. The peak year was 1974, with more than 133.4m gross tons on order during the first quarter.

But then came the oil crisis,



Happier times: IHI's Kure yard, in Japan, at the height of the super tanker boom

putting an end to the boom in supertankers which shipowners had been madly scrambling to add to their fleets. Since countries like Japan and Sweden had invested heavily in facilities to build the seagoing monsters of 200,000 dwt and upwards, the industry had to contend with severe over-capacity.

With economic slackness reducing freight rates and demand for ships, shipbuilding orders sunk during the rest of the decade to a low point of 25.1m dwt early in 1979. Thereafter, the industry began to improve as owners sought to cash in on the short-lived boom in bulk carriers.

Encouraged by impressive forecasts of prospects for ships to carry coal—one of the main bulk cargoes along with iron

ore and grain—they rushed to place orders for such vessels, especially of the 60,000-80,000 dwt Panamax size, able to go through the Panama Canal.

So by the first quarter of 1980, order books reached a new mini-peak of 37.6m dwt before slipping back again. This year, the regular Lloyd's Register figures have shown a further slight drop in the first quarter to 26.8m dwt, with the order backlog up a little in the second to 29.7m dwt.

Chiefly responsible for the latest uplift is a bewildering spate of orders from one of Japan's leading shipping companies, Sanko Steamships. The orders, which have gone to Japanese yards, total over 100 ships and are for bulk carriers in the smaller 20,000-40,000 dwt

range, known as handy-size.

Many shipowners have thrown up their hands in horror at the Sanko orders, arguing that there can only add to the problems of their industry by making it even longer before demand and supply finally match. Sanko, however, says it is discarding many of its older ships as it receives the new ones.

Sanko is not the only company buying new ships. Also in the search for new bulk carriers are Mitsui OSK, another major Japanese shipowner, the Iranian Government, the Shipping Corporation of India, China, and U.S. Greek and Norwegian owners.

As Lloyd's Shipping Economist points out, the tone is in vogue at the moment is not Panamax but handy-size. One

key factor in the shipbuilding equation is the cheap prices offered by Japanese and South Korean yards for series-built ships.

Since the bottom of the shipping cycle now seems to have been reached, even though recovery is slow, some owners want to take the opportunity to invest in more modern tonnage. Drewry reckons that new ship prices fell by between 20 and 30 per cent from the end of 1980 to the first quarter of 1983.

Price-cutting among world yards, comments Lloyd's Shipping Economist, "provided a possibly unique opportunity for fleet expansion."

The accumulation of orders such as Sanko's is not wholly determined by price, however. Lloyd's reckons that the ships

being ordered in Japan will be used mainly for grain. In the iron ore and coal trades, Japanese shipping normally use Japanese-owned vessels or have them on long-term charters. But for grain imports, especially from the U.S. Gulf, Japanese shippers have, until now, chartered many ships from non-Japanese owners for single voyages.

For medium-size ships of 40,000-80,000 dwt, the date of delivery has been postponed from early to late 1983. But the actions of some owners in buying now rather than later, these seem bound to postpone with balance now likely in mid-1985 instead of early 1986, as any return to equilibrium in shipping. "The 1983 ordering boom has inevitably damaged the future tonnage balance," said Lloyd's Shipping Economist.

Whatever the order book trends in the next few months, most shipyards will be hard pressed to avoid further losses or job cuts, especially in Western Europe. British Ship-

builders, the state-owned UK group, plunged into a trading deficit of £117m last year and has not had a major merchant ship order for some months.

In West Germany, the situation is even more serious. On the north coast, anxious workers have staged sit-ins at two major yards. The industry has already cut capacity sharply and further planned reductions threaten numerous jobs. More state support to keep the remnants of the industry alive is now being vociferously requested by companies.

The centre of gravity on the world shipbuilding scene has undoubtedly shifted to the Far East over the past decade. Cheaper prices and greater efficiency—at least in Japan—have left most European and other yards floundering. South Korea, which has reigned in its export programme in the current boom, is now No. 2 in world output.

Ten years ago, Western Europe accounted for over 40 per cent of world ship production. Last year, it was 23 per cent. In its annual report on the industry, in Europe, the EEC Commission criticised the pricing policies of Japan and Korea, notably the latter with its lower wage costs. It charged that such policies had helped fill order books at the expense of European yards which had to continue their reliance on subsidies.

But the migration of shipbuilding business away from Europe has not only benefited Japan and Korea. China and Taiwan have also been steadily building up their yards. The decline of the European industry has been an inexorable reality for some years. In the UK, the slide has been especially marked—from nearly 40 per cent of the world market in 1976 to 20 per cent in 1980 and just 8 per cent today.

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UK NEWS

British Gas given warning on prices

By Ray Daffer, Energy Editor

BRITISH Gas Corporation will have to pay much higher prices for its future supplies if it is to avoid running seriously short of natural gas in the 1990s, according to a North Sea report published today.

Gas to be delivered by North Sea operators under existing contracts will meet only 30 per cent of the expected demand from British Gas customers in 1985, says the stockbrokers firm of Wood, Mackenzie. It estimates that British Gas could face shortages as early as 1989 if no new supply contracts are signed in the meantime.

On the other hand, the brokers acknowledge that the corporation has plenty of opportunities for arranging fresh deliveries from producers in the UK and Norwegian sectors of the North Sea. The report concludes that the UK should be able to attract sufficient gas to satisfy demand "in the foreseeable future."

But price is likely to be a key to the corporation's ability to obtain fresh supplies. Under long-standing contracts, British Gas is still paying producers between 3p and 10p a therm although, in a bid to encourage the development of new UK fields, the corporation has been offering oil companies between 2p and 25p a therm.

Wood, Mackenzie points out that even these new prices are less than rates being agreed between North Sea producers and European continental gas utilities. The report says that if gas was valued on the same basis as crude oil, British Gas would be paying nearer 35p a therm.

ELECTION POLICIES WERE RIGHT, CONFERENCE TOLD

Labour decides on a new look

By IAN OWEN

DELEGATES ENDED the inquest into Labour's general election defeat yesterday by calling for existing policies to be presented in an improved way, not dropped altogether. The party machine should also be radically overhauled, they decided.

Mr Neil Kinnock, the party's 41-year-old new leader, frequently led the applause at the annual conference as the need to stop internal feuding and present a unified front, particularly at the top, was underlined by rank-and-file speakers.

Mr Kinnock warned that Labour could not afford to wait until the run-up to the next election to prove that it could offer a credible alternative government, and the conference responded by overwhelmingly approving a resolution for a campaign committee to be set up soon.

Mrs Barbara Castle, the former Cabinet minister who is now a European MP, appealed to delegates to dispel the apathy which marked the first direct election to the European Assembly in 1979 and to ensure that Labour finished ahead of the Alliance of the Liberals and the Social Democratic Party when Brit-

ain's 81 seats are contested again next June.

She stressed that if Labour trailed in third place, it could set the pattern for the next general election and be "a mortal blow to the party machine should also be radically overhauled, they decided."

Mr Jim Mortimer, the party's general secretary, won applause when he argued strongly that the decision to make jobs and unemployment Labour's main themes at the election had been valid. "I do not believe we should retreat from these main themes," he declared.

It was true that Labour had failed to persuade a majority of the electorate, but it remained true that the re-emergence of mass unemployment, coupled with the contraction of the economy, was a social disgrace.

He contended that Labour had been right to campaign for social welfare and the protection of the National Health Service, to reaffirm its continuing support for the trade unions' constructive role, and to warn of the dangers of the nuclear arms race.

Mr Mortimer revealed that the opinion polls commissioned by the

party showed the heaviest adverse majorities had been recorded not on nuclear weapons or the Common Market but on the association of the identity of trade unionism and the activities of trade unionists with the Labour movement.

To cheers Mr Mortimer said: "I do not believe we should yield one inch on this issue. We have to point out that trade unionism is essential for the protection of working people."

Mr David Bennett, general secretary of the General Municipal Boilermakers and Allied Trades Union, explained that a combination of legal restrictions on political donations by unions - about to be extended by Mr Norman Tebbit, Employment Secretary - and union members' reluctance to provide more money for political purposes meant a possible loss of £2m a year in expected income in the party.

Mr Bennett saw this as "a desperate financial prospect." He contended that the inadequate presentation of policies had been one of the most glaring failures in the last election campaign.

Spending cut talks hit difficulties

By ROBIN PAULEY

THE GOVERNMENT'S attempts to force ministers to cut their budgets back to keep next year's public spending plans on target are running into the sand. Mr Peter Rees, Treasury Chief Secretary, failed to reach agreement on any of the large economies requested from Defence, Environment, the National Health Service and social security payments.

All four areas, critical to Mr Rees's task of cutting £2.5bn from departmental bids for 1984-85 to keep to the planned total of

£126.4bn, will now have to go either to Cabinet or to the so-called "Star Chamber" for decision.

In previous years, the "Star Chamber" has been chaired by a senior minister such as Lord White, but it has not always been very successful, and the extent to which Ministers are resisting Mr Rees this year might lead to Mrs Thatcher's and the Chancellor, Mr Nigel Lawson's, tackling the issues head-on in full Cabinet.

Mr Rees had set some large targets to take substantial chunks out

of the £2.5bn of overbidding. One was a £500m cut in planned housing capital expenditure.

However, Mr Patrick Jenkin, Environment Secretary, is digging in at around only half of the Treasury demand, and is also defending the £450m urban aid programme, a key Treasury target, more vigorously than expected.

Similarly, Mr Michael Heseltine, Defence Secretary, whose preliminary budget is running at only around £200m ahead of plans, is giving no quarter to Mr Rees.



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Changes proposed in arts funding

By Antony Thorne

THE FUNDING of the UK's leading arts organisations could be transformed if the Government accepts a report into the financial affairs and prospects of the Royal Opera House in Covent Garden and the Royal Shakespeare Company. The report has been prepared for the Minister for the Arts by Mr Clive Priestly, former head of the Government's Efficiency Unit.

Among Mr Priestly's recommendations are that the two companies and, by implication, the other two of the Big Four national arts organisations - the National Theatre and the English National Opera - should be financed either directly by the Government or through a sum of money given to the Arts Council for this purpose, which would amount to the same thing.

The acceptance of this suggestion would greatly reduce the power and influence of the state-funded Arts Council. Sir William Rees-Mogg, chairman of the council, said yesterday: "Direct state funding of an artistic company is as unacceptable as direct state funding of a newspaper. Like the governors of the BBC, the Arts Council exists to protect the independence of creative people."

The report suggests that both companies are under-funded. It recommends that their deficits in the current year should be wiped clean, and that for 1984-85 the Royal Opera House should receive £12.35m (a rise of £1.8m on current projections) and the RSC £4.9m.

More Vauxhall workers vote to continue strike

By BRIAN GROOM, LABOUR STAFF

THE CHANCES of an early end to the strike by nearly 14,000 hourly-paid employees hinge on a crucial meeting of 7,500 workers at the Luton car plant, Bedfordshire, this afternoon.

About 1,800 Transport and General Workers Union members at Ellesmere Port in Cheshire voted overwhelmingly yesterday to reject the company's latest offer, which is worth 7.75 per cent over 12 months, or 8 per cent when fringe items are added.

They will continue the strike, which began last Friday and prevented production restarting yesterday after the weekend break. The 2,400 Amalgamated Union of Engi-

neering Workers members at Ellesmere Port will be urged to reject the offer at a meeting today.

If there is any sign of weakness in the car workers' united front, it is most likely to emerge at Luton, where the vote may be closer. Shop stewards there will meet this morning before the mass meeting.

The 4,000 commercial vehicle workers at the nearby Bedford truck division at Dunstable are already divided. About 400 of the 1,000 Engineering Union members, who voted last week not to strike, crossed Transport Union picket lines yesterday.

There was no violence, but there were some arguments with pickets.

BL car output rises

By KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE GAP between BL, Britain's leading car producer, and Ford in second place, widened even further in the first half of this year.

BL's car output, at 249,878, was 8,962 units or 3.6 per cent higher than in the same period of 1982. Ford's production of cars fell slightly, from 214,141 to 214,141. Although Ford outsells BL in the UK, about half of its cars are assembled on the European Continent.

However, the main influence on the first-half figures was the rebound at Talbot, the Peugeot group

subsidiary, where output jumped by 19.27 per cent, or 43,968, to 66,773.

That was due to the recovery in demand from Iran for the Talbot car kits that go towards making the Peugeot, based on the old Hillman Hunter saloon.

An analysis by the Society of Motor Manufacturers and Traders shows that car production in the half year rose 13.9 per cent or by 87,358. Vauxhall, the General Motors subsidiary, was the only company apart from Talbot to outperform the overall production rise.

FT joins ITT for electronic news link

By Alan Cane

THE FINANCIAL TIMES and ITT Corporation, formerly International Telephone and Telegraph, are collaborating to provide an electronic news alert system.

The two organisations are setting up a new company, International Financial Intelligence Service (IFIS), to market information summarised from the pages of the Financial Times and other leading sources of business information.

The information will be available to subscribers through a computer, printer or telex terminal.

Preliminary agreements have been reached; marketing research is already under way and a six-month customer trial is expected to begin soon.

When commercially available, the service is likely to be the first to provide on a worldwide basis financial and business information tailored to the subscriber's needs.

The new company will use ITT's worldwide telecommunications network and the electronic mail service of ITT Dialcom, which already provides the UK's BT Gold electronic mail service.

IFIS expects to despatch every issue of the Financial Times, page by page, using facsimile techniques, to ITT centres in the US, where each headline and article will be converted into a form in which it can be read by a computer.

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Williams & Glyn's Bank announces that with effect from 4th October 1983 its Base Rate for advances is reduced from 9½% to 9% per annum. Interest on deposits at 7 days' notice is reduced from 6% to 5½% per annum.

Standard Chartered

announces that on and after 4th October, 1983 its Base Rate for lending is being decreased from 9½% to 9% p.a.

The interest rate payable on deposit accounts subject to seven days' notice of withdrawal will be decreased from 6% to 5½% p.a.

The interest rate payable on High Interest deposit accounts subject to twenty-one days' notice of withdrawal will be decreased from 7% to 6½% p.a.

Standard Chartered Bank PLC**Grindlays Bank p.l.c.****Interest Rates**

Grindlays Bank p.l.c. announces that its base rate for lending will change from 9½% to 9% with effect from 4th Oct. 1983

The interest rates paid on call deposits will be: call deposits of £1,000 and over 5½% (call deposits of £300 - £999 4½%)

Rates of interest on fixed deposits of over £5,000 will be quoted on request.

Enquiries: Please telephone 01-930 4611.

Grindlays Bank plc

Head Office: 23 Fenchurch Street, London EC3P 3ED

Yorkshire Bank Base Rate

With effect from 4th October 1983

Base Rate will be changed from 9½% to 9% p.a.

National Westminster Bank PLC

NatWest announces that with effect from

Tuesday, 4th October, 1983, its Base Rate is reduced from 9½% to 9% per annum.

The basic Deposit and Savings Account rates are reduced from 6% to 5½% per

Blossoming prospects for plant producers

BY INTRODUCING a shade more pink into the dark green leaves of his *hypoestia* and a tinge more red around the edges of his *dracaena marginata*, Mr Jeremy Pertwee has helped Britain's house plant industry break out of the corner florists and into the high street multiples.

The careful cultivation of harder and more exciting varieties of tropical plants has attracted the multiple retail chains such as Marks & Spencer, F. W. Woolworth and Asda.

The stores' demands for large numbers of house plants of constant high quality has been the making of Pertwee's New Ruston Garden Company with its 16 acres of glass just outside Clacton-on-Sea, Essex.

Success

"The multiple stores like Marks & Spencer specify the size and shape of the plant and the number of leaves," Mr John Oakley, managing director at Ruston, said. "I sometimes feel we would do better to produce them by plastic extrusion process."

The rapid growth of the house plant market—from a turnover of £15m in 1970 to £100m last year and a projected £150m in 1985—lies behind Ruston's sales success, but it has also put an inescapable strain on the company's finances.

It recently announced plans for a reverse takeover by The Sampang (Java) Rubber Plantations, a small rubber producer with a quotation on the Unlisted Securities Market.

Nominally Sampang will take over Ruston, but Ruston will contribute the bulk of the profits and turnover in the next

Charles Batchelor explains how one grower cultivated the high street demand for greenery

few years and will effectively be in control.

Mr Jeremy Pertwee will become chairman of the merged group, which will be renamed Applied Botanical Group profits of £400,000 on turnover of £4.5m have been forecast.

Ruston now claims to be the largest company in the foliage plant market having outstripped the two companies it sees as its main rivals, Geest Holdings of Spalding, Lincolnshire, and Thomas Rochford of Turnford, Hertfordshire.

Geest achieves turnover of about £5m from its plant-growing operations, distributed equally by the foliage and

flowering plant activities.

This is only a small part of the Geest group's annual £200m turnover from its fruit and vegetable distribution activities; both are in single large units. Founded by two Dutch-born brothers in the 1930s, the company is also a large bulb and rose grower.

Geest has 22 acres of glass at Spalding and next month opens a new film warehouse and glass complex. It sees the greatest potential in flowering rather than foliage plants, whereas Ruston says foliage plants last longer and give better value.

Mr Bill Barnacle of Geest said: "Basic demand for foliage will continue but as more

people have green plants in their homes they will then look for the colour provided by flowering plant varieties."

A disadvantage of flowering plants is that demand is strongly seasonal, reaching peaks around Christmas, Easter and Mother's Day, while foliage plants tend to sell steadily throughout the year.

Ruston has achieved rapid growth by developing nurseries on Montserrat and St Lucia in the West Indies where the natural sunlight and warmth promotes a matter of weeks plant growth which would take months and tonnes of heating fuel even in sunny Clacton. Geest, too, has nurseries on St Lucia.

Ruston has spent the past few years building up sufficient stocks of mother plants on its West Indies nurseries from which to take cuttings. These are then sent to Clacton where they are rooted and potted either in simple plastic containers, or, increasingly, in mixed displays in earthenware bowls.

A plant which would take 28 weeks to grow to shop-readiness in Clacton can now be started in the West Indies and finished off in six weeks in the UK.

Quality

Building up the stocks in the West Indies and buying-in from outside suppliers to bridge the gap badly dented Ruston's finances, but the profits are now starting to flow.

Controlling the quality of the plants from the outset is important in view of the increasingly high standards set by the retailers. With 150,000 to 200,000 plants leaving the greenhouses each week, each one the product of between two



Mr. Jeremy Pertwee at Ruston's Clacton base

and five cuttings, the demands are enormous.

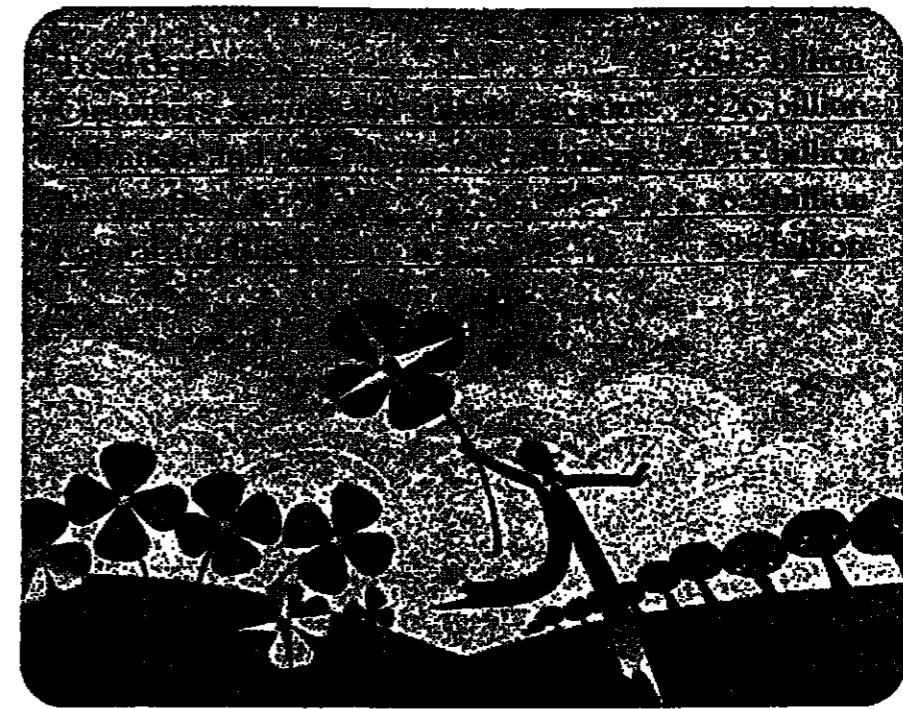
Mr. Pertwee works closely with the big retailers such as Marks and Spencer on the choice of plants, the colours of leaf which are likely to appeal, and even on the style of ceramic room.

"We introduced the label idea from the U.S. but recently the quality of information has not been good. People don't want to know that a plant needs keeping within five degrees of 20°C; they want to know if it will be happy in their front room."

It now serves 110 stores owned by companies such as Asda, F. W. Woolworth and Carrefour on this basis. It also makes straightforward deliveries to retailers who then take full responsibility for the sales.

Taste in the house plant world changes rapidly. Yucca, in Mr. Pertwee's eyes, is giving way to an improved version of the dragon tree—*dracaena marginata*. He has high hopes for the aglaonemas, or silver queen which manages well in poor light and should do well in that dark corner of the sitting room.

Did you know?
This year, too, our accounts speak for themselves.



This is the balance sheet information for the financial year 1982 approved by the Shareholders' Meeting of Banca Nazionale dell'Agricoltura. The profit for 1982 shows an 11.7% increase over the previous year.

Capital and reserves, after new appropriations for about 75 billion lire and monetary revaluation of certain assets in accordance with the "Visentini-bis" law for 74 billion, have reached the total amount of 535 billion, representing an increase

of 34.5%. At the annual General Meeting it was resolved to incorporate into Banca Nazionale dell'Agricoltura the subsidiary Banca Gatto & Porpora which has four branches operating in the Salerno area.

BANCA NAZIONALE DELL'AGRICOLTURA

A Bank for all seasons.

Mail Order freemans

Interim Consolidated Financial Statement for the 28 weeks ended 13th August 1983 (subject to the year-end audit)

	28 weeks ended 13th August 1983	28 weeks ended 14th August 1982
2000's		
Turnover	142,523	161,498
VAT	18,737	18,514
	143,760	142,994
Trading profit	5,719	4,653
Interest payable	1,154	1,503
Profit before taxation	4,565	3,150
Taxation	2,330	1,181
Profit after taxation	2,235	1,969
Interim dividend	1.5p per share	1.340

Sales caught up with the level of the previous year at the very end of the period. It had to be expected that the strong and positive action taken against uneconomic agencies, slow-paying customers, and potential bad-debt would make any increase in sales difficult to obtain.

The improvement in profit has come through rather faster than expected. The main reason for this has been a sharp fall in the bad debt charge, not anticipated before the autumn. Interest charges also show a useful decrease. Borrowings at the interim date showed a significant reduction from the figure at the beginning of the year to give a debt/equity ratio of 23.5%.

The issue of the Autumn/Winter catalogue in July coincided with the long spell of hot weather which caused demand to fall below the same period in 1982. At the same time sales, derived from orders from the previous catalogue, were catching up. Thereafter demand continued to be poor until the weather changed early in September and since then some of the lost business has been made good. With the vital Christmas trade still to come, the pattern so far gives little guidance as to the likely second-half sales. Without that information, it is impossible to predict the profit for the full-year, but the progress so far is encouraging.

Freemans PLC 139 Clapham Road London SW9 0HR

Lloyds Bank Interest Rates

Lloyds Bank Plc has reduced its Base Rate from 9.5% to 9% p.a. with effect from Tuesday, 4th October 1983.

Other rates of interest are reduced as follows:
7-day-notice Deposit Accounts and Savings Bank Accounts—from 6% to 5.5% p.a.

The change in Base Rate and Deposit Account interest will also be applied from the same date by the United Kingdom branches of

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On the rocks.

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THE ARTS

The status of photographers as creative artists even now remains ambiguous, though the argument for the photograph as Art is as old as photography itself, and would appear to be largely won.

The few doubts that remain centre principally on the contemporary field. For the trouble is that though all the implements of the art are manifestly mechanical, the camera is the most obviously mechanical of them all; from which follows the unworthy thought that if the product, whether more shall we say than is ever the case with pencil or brush, is determined less by manipulation than by the processes of the mechanism itself; and from the subconscious prejudices comes the sense that the medium of photography is more functional than creative.

Certainly the suspicion of Art Photography as such is general, and it is as remarkable as it is inescapable that the great majority of the photographers we now celebrate as artists were all working to some demonstrable point, either towards the technical development of the medium in the early days, or later to a journalistic or documentary end. The paradox is that having acknowledged the end to be served in such work, we no longer worry too much about it, but turn at once to celebrate more precisely those qualities of Art which we distrust so much: technical mastery and invention on the one hand, personal vision and humane insight on the other.

Three current exhibitions by distinguished and even famous practitioners make the point, it is rather a backhanded way. David Bailey (at the V & A until November 27), Don McCullin (Olympus Gallery until October 18) and Cornell Looes (Photographers' Gallery until October 8) and then on tour are all as well established in their careers as it is possible to be; but whatever their ambitions and pretensions, the nature of their various success is such that we would hardly use 'artist' yet of any one of them.

David Bailey's is perhaps the

Photographers/London Galleries The mechanical eye



Don McCullin's "Refugees in Beirut"

most intriguing case of all, for of the three he has been the one most inclined towards the more self-consciously experimental, both technical and expressive. This has been especially true of his published work in recent years; and yet he has continued active in the field of fashion photography, in which he first made his name, and there can be little doubt that whatever else he does, his work to commission there, to satisfy the often conflicting interests and preferences of client, editor and director, will last as being among his very best. Such continuing, as in all the arts, is a kind of freedom.

His exhibition, however, does not give us the recent work, but starts at 1968 with a selection from his earliest and now potently evocative epilogues to the Sixties. "Goodbye Baby and Amen" is not to dismiss the work to say that the emphasis is perhaps misguided and an opportunity missed; for we begin at the beginning in the late fifties, but are rushed through the earlier phases to the point around 1965 when Bailey can be said truly to have arrived, a star of *Vogue* and a national figure.

He had found a style, a way of working and a characteristic image, the figure set into the white limbo of the studio, strongly lit, with great emphasis upon the silhouette, the portrait often close up to the point of distortion. It is the style of the later sixties and very well done, not revolutionary exactly, but an idiosyncratic contribution to a strong tradition, out of Avedon and Brandt. But rather than have the style shown as it was fixed, we might well have seen rather more of its development, in the early years with *Vogue*, especially, with the imagery more natural and spontaneous, and the contrivance of the lighting shot.

He produced some of his best work before 1965, both in and out of *Vogue*, his deserted East End streets, the debt to Brandt notwithstanding, quite remarkable.

Don McCullin's show is a tour de force. He is of the same generation as Bailey, and there are many similarities in their work, the same tonality in particular, and the same simplicity of composition and emphasis; and they share too the same technical command. But he is a very different kind of photographer in essence, and having no immediate pretension in his work to creative expression, but only the compulsion to record what he sees, he reveals himself as an instinctive artist. He has no control in which to set and control the image, but must respond to what chance puts his way. And as he works he must get it right in every sense, technical and expressive, almost without thinking.

His material is inherently disturbing, often horrific, for he has always been drawn to what Goya knew well enough as

The Disasters of War; and it is his technical discipline which keeps him, and us, at the necessary psychological distance from his subject, however close he may take us in fact, that allows us to see what would otherwise be unviewable. His eye is such that everything he sees resolves itself into a significant and potent expressive image, simple, uncomplicated, refined.

His subject here in Beirut, torn apart by civil war: a nun bends over an old man in the hospital, who stares fixedly at the camera with his one eye; a mourning family stands together like an ancient chorus; a terrified group huddles together with hands in the air; the corpse of an old woman lies stretched out beneath a tree; bodies under the trees, men with guns; rescue parties; the nameless and the dead. It is the artist who makes the photograph who makes the subject.

With Cornell Lucas we are back with fashion and portrait photography but rather of the generation of the fifties than the sixties, though he continues as active as ever. The work of the fifties has too often been discounted for the sake of what came later and the direct comparison we can make between Lucas and Bailey the more useful for that: Lucas the continuing professional preserving always a degree not of anonymity so much as personal detachment, Bailey ever more directly involved.

Lucas began as a photographer at Pinewood studio and he has retained always something of the high gloss of the studio image that we knew in the Hollywood photography of the same period: but he was never a fantasist, for all the glamour and vanity of the film world, and his portraits of Bardot and Bacall, for example, serving their iconic purpose admirably, remain nevertheless accessible and credible images of real and interesting people. His professionalism belies his subtlety and he is more of an artist than he would ever claim to be.

WILLIAM PACKER

On 22 October 1883 the Metropolitan Opera gave its first performance—*Finst*, with Christine Nilsson. One hundred years later, the company is *en fete*. On the exact anniversary day an eight-hour gala, divided into afternoon and evening segments, will gather together a crowd of stars for a Grand Vocal Concert of the kind New Yorkers particularly relish (it will also be televised and transmitted, at least in part, internationally).

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WILLIAM PACKER



Jessye Norman

On the simplest level, the work gave pleasure by being in scale with the huge house-wide stage, high auditorium and impressive acoustics (which even from a seat quite far back in the stalls, kept a vivid balance between voices and orchestra) and seemed to combine another Berlin's largest invasions. It was worth crossing the Atlantic to hear the mass of sound so easily, and authoritatively spread out where at Covent Garden congection is an obvious danger—the "chattering abysmal" ensemble in the first part, the whole of *Dido's* death scene.

There is still, however, some way to go before the whole is the equal of its best parts. James Levine had the measure of the work's length but not of its full depth. To a Londoner who caught up in the tail-end, at least, of the Trojans rediscovered, it quite often seemed as though this was here left to be just another grand opera, to be conducted with care and accuracy but not with the excitement that issues from special belief. Detail known to be

crucially significant to the unfolding of the drama tended to be passed over; one listened in vain for the sharp, shrill edge of woodwind in much of the Trojan music, for the peculiar activity for no stronger reason than that they are there to do so never at any point discover an epic tone; one after another, the great strokes—entry of the horse, death of the Trojan women, departure of the ships, worst of all the non-enactment of the Royal Hunt—are fudged. In Fabrizio Melano's production the chorus troops on into oratorio positions and then troops off again. Costumes, crimson and gold, are Hollywood-spectacular. From a dramatic point of view the staging operates by non-interference; any more positive attribute is hard to discern.

In spite of such faults, however, this is a noble undertaking by comparison with the other offerings of the first weeks.

predictable Met stuff. *La*

Dido routine by Grace Bumbry (superficially) Caruso, Bruson

and an elderly-sounding Nicolai Ghiaurov, and by Levine's rushing and pushing rather than unfolding of the music.

For Joan Sutherland the

Full du reglement romp has

been revived; the audience has

a high old time, applauding in

its most mindless fashion, and both the prima donna and Alfredo Kraus as *Tonio* throw themselves into the proceedings with huge jollity. Of genuine charm and vocal enchantment (apart from sumptuous decorations in Act 2) as distinct from bounciness there was little

sign: the soprano is still a

phenomenon, but Donizetti's

sprightly *scandalo* is made an

aspect of it, rather than the

other way round.

cut; on all other counts, Miss Norman's delayed house debut as *Cassandra* was the single indisputable success of the whole enterprise. The voice, better fitted for queen than two female leads are due to exchange roles), could not make the cry of "Malheur" ring out above the chorus. Yet the style, immensely grand, economic of gesture, genuinely warm but never obvious, showed how much the artist has developed since those unready *Cassandras* at Covent Garden more than a decade ago. Her presence was in the best way theatrical, in a performance otherwise short on just that kind of focus in the foreground.

The production, first given in 1973, offered little in terms of foreground and background. Peter Werder's designs, which revolve and trolley in constant activity for no stronger reason than that they are there to do so never at any point discover an epic tone; one after another, the great strokes—entry of the horse, death of the Trojan women, departure of the ships, worst of all the non-enactment of the Royal Hunt—are fudged. In Fabrizio Melano's production the chorus troops on into oratorio positions and then troops off again. Costumes, crimson and gold, are Hollywood-spectacular. From a dramatic point of view the staging operates by non-interference; any more positive attribute is hard to discern.

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MAX LOPPERT

Final curtain for NYT?

Mike Westbrook/Snape Maltings

Christopher Lorenz

On the sun-drenched seafront of Benjamin Britten's quintessentially English Aldeburgh on Sunday morning I saw an elderly lady poring over a map of Egypt.

A couple of hours later Mike Westbrook was up on the stage of Snape Maltings, telling us that his new Young Persons' Guide to the New Orchestra, the first jazz work commissioned by the Aldeburgh Festival Foundation, had been inspired by a string of similar misplaced events.

From the way he linked a map of Bulgaria found in a Glasgow street with the Cerne Abbas Giant and a series of chance events on tour in the UK, France and New York, Westbrook's two 15-minute introductions to each half of the "Guide" were masterpieces of mystery and showmanship, carefully pitched to involve even the most dull audience and to heighten one's sense to razor-sharp.

In musical terms, the mystery at the centerpiece of this ambitious new work most brilliant and versatile jazz composers is a haunting, rippling chord in which an A flat sequence is overlaid across an E minor chord.

The final disappointment is that the guide itself, unlike his introductions showed little of Westbrook's usual humor (musical and visual). The young persons' guide to the orchestra, though called a "private clinic" in the stage direction, Westbrook has endless opportunities to make fun of psychiatrists. His dialogue has a likable way of using cliché phrases in outlandish circumstances. "I've just certified you as insane." "What right had you to take such high-handed action?" It keeps the proceedings comic when the story runs out of action but out of invention. When we have got used to seeing the characters dress up, or more probably undress.

The future had begun to look brighter when Texas stepped in last year with sponsorship funds amounting to \$50,000 for the NYT. They also put up \$10,000 for the NYT's playing competition. But there is no guarantee that Texas will continue to back the NYT in the coming year. "To lose a home is no encouragement to any sponsor," said Michael Croft, "no doubt wants to pick up a pauper—not even an oil company."

What the Butler Saw/Bristol

B. A. Young

You must get a director who, while making it funny, brings out the sub-text." Kenneth Halliwell told Joe Orton, when he read the script of *What the Butler Saw*. Philip Grout, at the Theatre Royal, has been as busy as a beaver in making it funny, but he hasn't made the sub-text clearer than any previous director I know of. Orton maintained that there were classical references in the play—*To the Golden Bough* (represented by a fragment from a statue of a Churchill) and by a lady (a bather) and to the Greek tradition of the *deus ex machina* (represented by a policeman entering a sealed-off room down a ladder through the skylight).

If there is a true sub-text to this farcical evening, devoted to voluntary or involuntary transvestism, it is the satirical reference to psychiatrists' belief that simple things are all the consequences of sex, probably sexual, stimuli. By defining the play in a madhouse, described as such in the dialogue, though called a "private clinic" in the stage direction, Orton has endless opportunities to make fun of psychiatrists. His dialogue has a likable way of using cliché phrases in outlandish circumstances. "I've just certified you as insane." "What right had you to take such high-handed action?" It keeps the proceedings comic when the story runs out of action but out of invention. When we have got used to seeing the characters dress up, or more probably undress.

This year scripts should arrive at the Royal Court by November 19. The winning plays will be produced at the Theatre Upstairs next March.

The Young Writers' Festival at the Royal Court is to be sponsored by Rank Xerox. The company is contributing £12,500 a year for the next three years. The festival takes the form of a season of professional productions selected from a large number of scripts sent to the Royal Court. Last year nearly 500 were submitted by young people.

This year scripts should arrive at the Royal Court by November 19. The winning plays will be produced at the Theatre Upstairs next March.

What are prizes for? Do they

or should they recognise achievement already attained or encourage talent that is still developing? Or that depends on the outcome of the competition.

Benson and Hedges Gold Award for Singers, the finale of which was held for the first time at the Royal Opera House on Sunday evening. It was plain that out of the four finalists, whittled down from 82 entrants from 18 countries, one was by far the most accomplished and mature artist. But should that, as it were, have disqualifed her? Should she be too busy pursuing a professional career to have the time (or energy) to enter competitions? Might the £3,000 be better spent on fostering the promise shown by the other three?

In the event the best singer

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Tuesday October 4 1983

EEC ties to Third World

NEGOTIATIONS open on Thursday for a successor to the Lome Convention linking the European Community to a group of 63 developing countries in Africa, the Caribbean and the Pacific region. The negotiations are likely to be protracted since many hopes once attached to the "spirit of Lome" have been dashed.

Under the present convention the EEC grants preferential access to ACP (African, Caribbean and Pacific) exports without demanding reverse preferences in return. It provides aid through the European Development Fund whose annual disbursements have risen above Ecu 70bn (about £400m). It offers some protection for a range of ACP commodities through the Stabex mechanism; and it is committed to buy 1.3m tons of ACP sugar a year.

Each of these elements has given rise to disappointments. Preferential tariffs are to some extent made nugatory by a regime of certificates of origin and safeguard clauses for ACP manufacturers. This regime can be seen as a hindrance to industrialisation in the ACP countries.

Almost inevitably the ACPs are dissatisfied with the amount of aid that the EDF offers them, especially at a time when the terms of trade have been turning in favour of the industrial countries. As for the Europeans, they have been worrying about the efficacy of their aid. Few if any of the ACPs have advanced to the verge of industrialisation.

Stabex does not have enough money to meet the demands made on it to compensate for loss of export earnings from raw materials: less than half the claims made can be met. The Europeans feel that Stabex money is not being used to tide over the afflicted industries, but as cash to help over external and budget deficits.

As for the sugar protocol, it does offer the ACP producers a price above the present world price for sugar. But they argue that that world price has been ruined by over production within the EEC.

Almost without exception the ACP countries are former British or French colonies and the Lome system is sometimes seen as a perpetuation of the former colonial relationships. Yet, the ACP countries have gradually diversified their trade away from Europe and have

edged closer to a more equal partnership.

The real case for persevering is that allowing Lome to lapse would be read throughout Third World countries as a sign that Europe is losing interest in them. That would not serve the interests of the EEC, or the West or of the industrialised

North.

The Europeans are going into the talks with a set of ideas developed by M Edgard Pisani, EEC Commissioner for co-operation and development, which can form the basis for improvements to the Lome system. One proposal which should prove relatively uncontroversial is for priority to be given to rural development. Several African states are moving in that direction. The idea has also been written into the Lagos Plan, the manifesto for economic development of the Organisation of African Unity.

Aid conditions

That plan as yet may be no more than a statement of good intentions, but it is worth noting that it does match M Pisani's wish for more regional co-operation among the ACPs. That is something that only the countries concerned can bring about. Given the smallness of most of their cash economies, functional co-operation should be encouraged wherever a basis exists for it.

The Community would do well to listen to the ACP complaint against non-tariff barriers.

The case for protectionism is especially weak where it is directed against countries that are as much as those they can provide.

Most controversy will be aroused by the wish of the Europeans to attach more conditions to their aid. The ACPs will argue that channelling Stabex money into the industries producing raw materials is a perpetuation of colonialism. Their sensitivity is understandable.

But in view of the unconstructive uses to which aid money often has been put, the need for closer control is undeniable.

A convincing case for increasing the volume of aid can be made out only if there is a reasonable certainty that it will be applied where it does most good. That may be a long way from the euphoria of the "spirit of Lome," but hard-headed rather than euphoric is needed to deal with the problems of the world's poor.

The urge to privatise

THE CENTRAL dilemma in Mrs Thatcher's economic policy has been clear from the outset: how to reconcile the demand for increased public expenditure and lower taxation with the longstanding commitment to financial discipline. Since the Chancellor's package in July the answer has been equally clear, at least to the cynics. The medium term financial strategy will remain intact only at the cost of fudging the figures through sales of public sector assets.

Cynicism seems likely to increase when news that the privatisation programme is expanding beyond the Tory manifesto proposals coincides with the Government finding itself on the spot over cuts in the health service. If the chief means of preserving the medium term financial strategy is to be a much bigger upheaval in the structure of industrial ownership in Britain, the Government will have to pay more attention to the presentation of its privatisation policy than hitherto.

Regulators

In our view the introduction of competitive pressure to public sector enterprise is a far greater spur to efficiency than the act of privatisation. That said, there are good arguments on a case by case basis for divestment. The lack of a comparable mechanism to receive, merge and liquidate in the public sector has tended to undermine financial discipline in the nationalised industries. And the need to present a consistent picture on accounting procedures and financial reporting.

Arguments about the beneficial effect of removing public sector borrowing constraints on investment and taking Whitehall bureaucracy of management's back are, however, more suspect. There are certainly cases of actual or potential capital starvation in the state-owned sector where hiving off a profitable subsidiary from a troubled parent may make sense. Jaguar may be a case in point. But in other respects the problem is less one of ownership than of muddled public sector finance and poor departmental monitoring.

It is far from clear, for example, that British Telecom would find reader access to which to placate the risk capital in the private sector electorate.

PRESIDENT François Mitterrand has just given his blessing to the most sweeping reorganisation any European country has undertaken in its electronics industry in recent years. It is, however, not the first nor probably the last in France. And like past shake-ups, it is designed to rationalise the French electronics industry, creating a solid base for domestic growth and a platform for expansion on world markets.

In his most rhetorical manner, President Mitterrand said last week the latest plan would enable France to make what he termed "the great electronic leap forward." M Laurent Fabius, the young Industry Minister and a favourite son of the Elysee Palace, claimed it would help transform France into "the third electronic nation in the world" after the U.S. and Japan.

Behind the high sounding words, the latest reorganisation is an exercise in economic survival. Its centrepiece is a major swap of assets between Thomson, the financially troubled state electronics group, and Compagnie Générale d'Électricité (CGE), the other dominant nationalised electronics concern. The swap will merge the French telecommunications industry under one umbrella, held by CGE, while consumer electronics, semiconductors, components and military electronics will be concentrated at Thomson. Computers and data processing have already been grouped around Compagnie des Machines Bull, the other troubled French nationalised electronics enterprise.

The Europeans are going into the talks with a set of ideas developed by M Edgard Pisani, EEC Commissioner for co-operation and development, which can form the basis for improvements to the Lome system. One proposal which should prove relatively uncontroversial is for priority to be given to rural development. Several African states are moving in that direction. The idea has also been written into the Lagos Plan, the manifesto for economic development of the Organisation of African Unity.

Significant phase

The shake-up marks another significant phase in the evolution of industrial policy since the Socialists came to power in 1981. From an initial policy of heavy intervention and protection, policy during the past six months has assumed an increasingly market and internationalist approach.

The champion of the interventionism was M Jean Pierre Chevénement, the then Socialist minister and leader of the party's far left ideological faction. It was M Chevénement who launched with great fanfare the Socialists' FF 140bn (£11.56bn) five-year electronics investment and development programme in the summer of 1982 as the cornerstone of French industrial policy. But the telecommunications sector, state-backed initiatives in *technique* — including, among other things, an ambitious scheme to provide electronic telephone directories for all phone users — have yet to become commercial successes.

The French economy has stopped growing, the Franc has been devalued, and the Government, engaged in a tight austerity programme, no longer has the funds to finance grand industrial designs.

Since he took over the industry portfolio last spring, M Fabius has been cautious, pragmatic and low-key, but he has nonetheless made his priorities clear: from now on nationalised industry must be tightly and profitably managed. State bosses have greater freedom than M Chevénement ever did, but M Fabius has told them he wants profits by 1985 or they risk being out of a job.

Moreover, M Fabius has been arguing that France cannot solve its industrial and especially electronics problems on its own. He has been pressing for greater industrial collaboration not only in Europe but with

Safety first

Whatever happened to altruism? Dr John Cullen, new head of the Health and Safety Commission, has no illusions about what should make safety a crucial issue for companies. "To put it crudely," he says, "money talks." The corporate image suffers from even the slightest suspicion of lack of safety, and so does the bottom line. But being seen to care about public approval — and, of course, customers.

Cullen has plenty of experience with high-risk industries like nuclear energy and chemicals. He kicked off his new job yesterday by opening a mining safety conference in Sheffield.

For the past nine years, the commission has been run by John Douglas, a 47-year-old workers' leader Bill Simpson. With Cullen's appointment, his last job was deputy chairman of the UK end of U.S. chemicals group Rohm and Haas.

Mechanism

To be fair to the Treasury, which masterminds the queue, great care is being taken to limit the risk both to the taxpayer and the markets. Moreover, the problem of raising the wind can be exaggerated: in a world free of exchange controls this criticism betrays a lack of faith in the market mechanism.

But huge portfolio flows cannot be generated without some likelihood, other things being equal, of wider effects on interest rates and exchange rates. If, as some brokers fear, the outcome is that the cost of capital to existing private sector companies goes up while profit margins are simultaneously squeezed, the medium term financial strategy —

superficially intact — may prove a threadbare offering to which to placate the risk capital in the private sector electorate.

French electronics industry

The struggle to keep up with the leaders

Paul Betts in Paris reports on the implications of the asset-swap between the Thomson group and CGE



Georges Pebereau of CGE (top) and Alain Gomez of Thomson: a dramatic assets swap

the U.S. and Japan. Last week he suggested, together with other Mitterrand Government officials, that public sector orders might be opened to foreign bidders provided that French companies had equal opportunities.

It was against this background that M Fabius consented to the negotiations between M Alain Gomez, the chairman of Thomson, and M Georges Pebereau, the managing director of CGE, who have now led to the spectacular asset-swap agreement. He accepted the argument that the deal was necessary for the survival of the country's electronics industry in an increasingly competitive world market.

In any event, urgent action was needed to stop the financial haemorrhage at Thomson and revitalise and reorganise an industry that has so far produced more disappointments for France than achievements.

In the telecommunications sector, state-backed initiatives in *technique* — including, among other things, an ambitious scheme to provide electronic telephone directories for all phone users — have yet to become commercial successes.

In computers, IBM is still way out in the lead in the French market, despite 10 years of mergers, demergers and re-mergers to transform Bull into the domestic industry leader. In microelectronics, France is trailing behind many other European countries. As a result of a major asset redeployment programme this year, says M Pebereau, who launched Thomson's electronic trade balance turned in a deficit of FF 8.2bn last year.

The most significant and controversial aspect of the latest reorganisation is the decision to allow Thomson and CGE to merge their telecommunications assets into a single monopoly concern under management control of Cit-Alcatel, CGE's

in export markets. The domestic market, which will continue to account for the lion share of orders, has already past its peak. Barely 10 years ago France had only 5m telephone lines installed. Today there are more than 21m lines and the target is for 24m lines by 1986.

Under these circumstances, M Pebereau wants to see exports, currently accounting for about 50 per cent of Cit-Alcatel's annual sales, increase to about 50 per cent of the total on a worldwide scale.

With the Thomson merger, M Pebereau will now have a telecommunications group on the world scale he wanted. The merger will create a new concern with annual sales of FF 12bn, employing nearly 40,000 people and ranking among the fifth largest telecom-

communications companies in the world.

CGE's Cit-Alcatel telecommunications subsidiary is profitable and its 210 public digital telephone exchange system has won it the world leader in this field, with more than 11m lines ordered or installed (most of them in France). But the Thomson merger will put it in a sounder position to develop its next generation of public telecommunications systems.

The merger is also aimed at

strengthening the French telecommunication industry's hand

in a dominated position. That was unacceptable." The last remaining alternative was a French partner.

In CGE, M Gomez found a ready partner. The diversified electronics concern, one of the few profitable French state groups, is trying to transform itself from a rambling conglomerate into a group operating in three or four industrial growth sectors, the two main ones being telecommunications and energy systems. M Pebereau, who launched a major asset redeployment programme this year, says: "You can only be aggressive in a world recession if you operate on a worldwide scale".

With the Thomson merger, M Pebereau will now have a telecommunications group on the world scale he wanted.

The merger will create a new concern with annual sales of FF 12bn, employing nearly 40,000 people and ranking among the fifth largest telecom-

communications companies in the world.

Thomson will have its dominant position further strengthened by taking over CGE's assets in this field.

Thomson, which lost FF 2.2bn last year, believes it has now reached the critical size needed to compete in the consumer electronics business.

It has achieved this largely by foreign acquisitions and alliances.

After failing to buy Grundig, Thomson got Telefunken as a consolation prize and subsequently struck a controversial licensing deal with JVC of Japan to make video cassette recorders.

The Japanese agreement is another eloquent example of the increasing reliance

French industry is having to put on international collaboration in the face of declining domestic investment resources.

As for defence, the re-organisation will reinforce Thomson's role as the domestic leader in a sector which has traditionally been out of the most profitable parts of the French electronics industry.

But the military business is not been booming as in the past and the Middle East is no longer the booming market that it once was.

Leadership role

In the non-military compo-

nents business, Thomson is also

assuming a leadership role.

It will take control of the com-

ponents business of CGE's privileged supplier.

The Government has

decided in particular to entrust

Thomson with the construction of a strong French integrated circuits industry.

Although the big nationalised groups have

given him little room to

manoeuvre and forced him to

rethink his strategy, the

Government is clearly aware that without a strong web

of small and medium-sized

entrepreneurs, the French elec-

tronics sector will lack that key

ingredient that is behind

the success of Silicon

Valley and the U.S. computer

industry and is increasingly

evident in Britain. Until now,

high technology entrepreneurs

have been conspicuous by their

absence in France.

To try to correct this,

M Fabius announced last week

new measures to encourage

the development of electronic tech-

nologies among small busi-

nesses. But the problems of

the big nationalised groups have

given him little room to

manoeuvre and forced him to

rethink his strategy.

The Government is clearly

aware that without a strong web

of small and medium-sized

entrepreneurs, the French elec-

tronics sector will lack that key

ingredient that is behind

the success of Silicon

Valley and the U.S. computer

Letters to the Editor

Selling-off British Telecom

From Dr A. Berry

Sir.—The privatisation of British Telecom is proposed by the Government on the argument that private sector management would bring a mixture of competition, efficiency and profitability.

As your features writers (September 27) show, it is difficult to see how the change in ownership would change the essential nature of the technical network which lies at the operating heart of the telephone system. Further, it is hard to see how the change in ownership would change the technical efficiency of this system and unless prices are raised it is even more difficult to see how the economic efficiency of BT could be changed. As it is, BT is producing approximately £1bn of cash flow and has been prevented by the Government from having access to further investment. Thus even in the private sector BT would be even more cash hungry.

Given that UK domestic private sector companies are consistently poor performers as compared to multinationals, it would, if economic efficiency gains were the point of privatisation, be essential to sell BT only to such multinationals, thus ceding domestic control.

The process of privatisation gives the political game rather than the risk of stating the obvious. BT as a nationalised industry is actually owned by all of us. For the Government to "sell" all or part of BT is to transfer our collective good to the rich, whether individuals or pension funds or to companies like GEC which happen to have some spare cash. The process of selling is actually a tax levied on real and available investment funds in the private sector. If the Government wishes to stimulate real productive investment it must then make the proceeds immediately available for in-

vestment or it must think of ways of investing itself. Unfortunately the Government seems unlikely to do any such thing. It is also quite probable that the suppliers of BT would attempt to buy a substantial holding in BT, a holding which would be an effective vertical integration, in order to stifle competition. It would be sad to witness a further concentration in the UK economy.

If, however, the process of privatisation is a deliberate attempt to get individual citizens involved in the success of BT, the Government might simply issue a proportion of the shares to all citizens, thus ceding control directly and without any need to worry about the cash problems. The citizens (30m of us) would get about 200m. Of course, the first AGM might be a bit difficult to manage but presumably the individual citizens could make a market and some would take the cash. The individual who "takes the cash" would be exercising directly the choice of what to do with his share, rather than having the Government not only make his/her decision but also run off with his/her money.

One rather negative consequence of such a widely distributed ownership might produce a kind of self-repeating oligarchs which seems to manage the building societies, but it is difficult to argue that the Government's choice of representatives of insurance companies, pension funds and the like would actually improve the management of BT.

It seems, therefore, that on the grounds of real benefit to the whole economy and real private citizen involvement the present proposals for privatisation of BT are in need of some rigorous examination.

(Dr) Anthony J. Berry,
Manchester Business School,
Booth Street West,
Manchester.

Analysis of the industrial scene

From Mr R. Crum

Sir.—Samuel Brittan's article (September 28) on "How to tick good losers" ends with a call for analysis of the industrial scene, but in a specific context. Why not generalise the call?

I've always found it very odd that for the last thirty years the UK has been faced with recurring crises as a result of industrial problems but there has been no attempt to set up an economic research institute whose raison d'être was the continual investigation of and commentary on UK industrial performance. At one time one could equate the National Institute with the Treasury, the Centre for Environmental Studies with the DoE, the Health Economics Research Institute at York with the DHSS, and other institutes and bodies with the Department of Trade or Department of Employment. But there has never been any outside critical body that parallels the Department of Industry and the omission is striking.

One could argue that the subject is too vast, academics wouldn't do it and are biased, all the material is already here, but it's scattered around, what

about Neddy and the CBI? etc. All these points may be true. I still think however, that a critical journal, published from outside the system, containing continuing series on the output, employment, productivity, comparative trade performance, strike records, patents etc of individual industries, with commentary, and with a steady flow of reports in such areas as international comparisons of competitiveness, R & D and patents, trade patterns, use of specialist workers etc, would have been beneficial over the last thirty years. At worst it would have made politicians, industrialists and trade unionists steadily aware of the industrial problems, at best it might have served to give additional notice of problems looming up.

In general we are badly governed and this is partly the result of our lack of outside policy analysis (cf. the arguments for a "British Brookings"). Specifically omitting the outside analysis of industry is perhaps just one example of this, but it would appear to be a highly important omission.

R. E. Crum,
88 Hell Road, Norwich.

The law of one price

From Mr A. Mitchell, MP

Sir.—The interests which finance the "Trade Policy Research Centre" must be delighted with Mr Wolf's rejoinder (September 20) to my letter refuting the monetarist "law of one price". Yet if the half-truths and misconceptions in his letter are characteristic I will be delighted to debate the issue with him in my constituency, where people recognise codswallop and see the effect of prolonged overvaluation on fishing and other local industries.

The spurious doctrine asserts that a country's price level is pegged to the world price level and must move in line with it. Exchange rate changes cannot, therefore, affect real phenomena such as the trade balance or the terms of trade.

That Mr Wolf should defend this doctrine by referring to international trade in motor-cars only shows that he is living in Thatcher-land. The fact is that the law leaves a whole series of domestic and currency factors out of account and ignores such factors as market manipulation and economies of scale. It is systematically violated by empirical data. On IMF figures internal prices in Japan rose 9.16 times faster than export prices between 1953 and 1980. In Germany the increase was 44 per cent, and in the UK and the U.S. it was, respectively, 11 per cent and minus 14 per cent. The monetarist refurbishment of what was once known as the purchasing-power-parity theory must therefore be codswallop.

Of course, devaluation reduces the relative cost of labour, but this is not a reduction in real wages. The devaluations of 1931 (35 per cent), 1949 (30 per cent) and 1967 (14 per cent) did not reduce real wages, even in conditions of supposedly overfull employment. There is a law of continuous causation based in this case on import-substitution and expected growth. Indeed the factors and the

economics of scale they lead to have made continuous causation the basic explanation for the virtuous cycle which has made the exporting industries of Japan and West Germany so strong allowing those countries to hold down prices in their internationally traded goods but not in their domestic sectors.

The converse of the opposition is that the exchange appreciation increases the relative cost of labour. The increase in sterling since March is more than three times the Government's norm for pay increases. How then can propagandists of the Right blame organised labour for industry's difficulties? More codswallop.

To Mr Carr (September 21) I would say that what matters is trading profits and not the minutiae of rates and tax allowances. Industry has been twice cursed by the ratcheting of tight money, high interest rates and a high exchange rate; the leaders of the CBI should tell the country that if they had the real interests of British industry at heart instead of those of finance and distribution which are so strong in their counsels. Indeed they should have advised the electorate in June to vote for Peter Shore's programme.

The record shows that industry has always done better under Labour and than under the Tories, and it will do better still with cheap money and a competitive pound. Getting Britain back to work must be good for employers as well as employees.

The classic answer to Thatcherism is to be found in the letter which Ricardo wrote to Malthus in 1820, that "if we sell our goods at a high money price and buy foreign goods at a low money price" it may well be doubted whether this advantage will not be purchased at many times its value, for to obtain it we must be content with a diminished production of home commodities, with a high price of labour and a low rate of profit." Plus ça change . . .

Austin Mitchell,
House of Commons, SW1

The White Paper on roads

From the Leader,
South Yorkshire County Council

Sir.—In your edition of September 28 you quote the new roads White Paper as saying that the abolition of the metropolitan county councils will give new opportunities for tackling the problems of urban transport.

What an extraordinary use of words by the Government. If the metropolitan county councils are abolished the functions of public transport (bus and rail), traffic, highways, overall land use planning and the police as enforcement agency would be splintered into probably four different agencies. With different areas and objectives, these agencies will find it impossible to work together effectively.

The other immediate consequence of the abolition of the metropolitan county councils will include a massive disruption in the construction industry in the two or three years surrounding 1988. Half the country's transportation capital investment is handled by the Greater London Council and the metropolitan county councils. The scattering of staff and

re-assessment of programmes by successor authorities will without doubt mean a massive loss of achievement in the road capital programme. Hardly a good start to a new era of solving the conurbations' problems.

Moreover the Government has suggested that 9,000 jobs

would be saved by abolition of the counties. Since 96 per cent of our staff are operational, such savings could only come by massive cuts in services. As these are unlikely to be in the areas of police and fire, one can only assume that the Government plans cuts in transport service levels of major dimensions.

May the electorate enquire, too, the Government's plans for environmentally damaging road schemes in our cities? At the moment the electors, through their councillors, propose such schemes as the South Circular road in Birmingham being forced through in the teeth of proper and justified opposition from those who wish to safeguard the urban environment. When the counties who block such schemes disappear, will the Government not ride roughshod over the defenceless opposition?

Roy Thwaites,
County Hall,
Barnsley, S. Yorks.

Industry and Electoral Reform

Hedging bets for the future

By Peter Riddell, Political Editor



Leading members of the industrial committee for electoral reform: Sir Graham Wilkins (left) and Sir Adrian Cadbury

bottom of the poll are eliminated after the first ballot.

Paradoxically, this pragmatism may not have helped the campaign since the June 9 general election, despite the large disparity between the share of the votes cast and the distribution of Parliamentary seats. Sir Graham concedes that "if anything industrial support has declined since the election." Mr Roger Gibbs of Gerrard and National admits that he does not feel as strongly about electoral reform as he did four years ago. The dominance of Mrs Thatcher has made it seem rather pointless to him at present, though he still believes it is a good principle.

Intriguingly for the Alliance, the very success of Liberal and SDP candidates in winning the opposition vote on June 9 has prevented the feared polarisation. A counter-balance may have been created without a change in the electoral system.

The commitment of business supporters will be tested in the New Year when the National Committee for Electoral Reform launches an appeal to raise at least £100,000, roughly half for the fair votes petition. This is small by comparison with donations to the Conservative Party and is needed, according to Mr Richard Holme, the committee's director, to turn what had been an elitist operation into a popular campaign. There are already 350 constituency organisers, predominantly, but not exclusively, Alliance supporters. Mr Holme claims the open backing of 50 Tory MPs, plus 25 supporters (including Mr James Prior and Mr Peter Walker in the Cabinet). At present, there are only a handful of Labour and union supporters, so the public involvement of Mr Gavin Laird of the AUEW is particularly welcome.

Nevertheless, no one expects the campaign to have any immediate effect. Sir Graham believes that all that industry can do is to help on a "modest basis" to get the debate out into the open. Similarly, Sir Adrian talks of a gradual programme to build up concern about the need for change. But, as the debate on proportional representation at next week's Conservative Party conference is likely to show, there will be no response as long as there is a majority Thatcher Government.

A disorientated flock

From Mr N. Button

Sir.—City ornithologists are familiar at this time of the year with the sight of large flocks of starlings congregating in Finsbury Circus, before their southern flight to warmer

iridescence.

From their behaviour, however, it appeared they were confused and disorientated, to the extent they seemed worried



about their very survival. Perhaps they should follow the example of the starling and migrate to warmer climates—the Sahara Desert?

N. C. J. Button,
17 Tokenhouse Yard, EC2.

Unitary taxation for the multinationals

From Mr H. Roe

Sir.—I note that Frances Stewart writes (September 22) from the Institute of Commonwealth Studies, Oxford University. Her letter reveals the understandably unrealistic approach of the academic to the world in which multinationals companies have to operate. Her suggestion that "a consistent system for unitary taxation would improve the climate in which multinational investment takes place" is analogous to a plea for government of the world by the United Nations on the grounds that this would reduce the chances of war.

While the climate was improving in the long term the multinationals would be blighted by the fact that the Conservative party's approach to taxation is contradictory. He believes that the Conservatives are the best party to be in power and that is reflected in Beecham's contribution. But, he says, "you have to be realistic and recognise that the Conservatives will not be in power for ever." Hence business wants to be sure that after a change of government "we don't get back to violent swings of policy."

Sir Adrian Cadbury admits that this dual support can be

provided little hope for believing this approach will be changed in the U.S. While it may be true that some multinational groups basically have a single product, e.g. motors or computers (though personally I believe that to be far too simplistic) what is certain is that the unitary basis is applied to groups with a wide range of interests and businesses, some of which are not even carried on in the states using this basis of assessment.

The interests of minority shareholders in different companies in a multinational group are ignored completely. Thus minority shareholders in California could suffer additional taxes as a result of quite different activities in places such as India or Australia.

Quite apart from the risk of a minority shareholder suit against the majority under the protective rules in the U.S. the fact is that no multinational group can simply ignore the minority shareholders and directors of subsidiaries which have minorities are legally obliged to operate with their interests in mind.

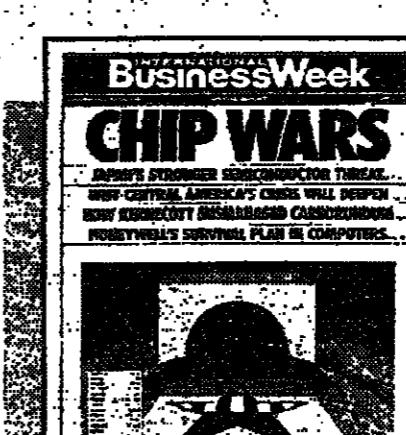
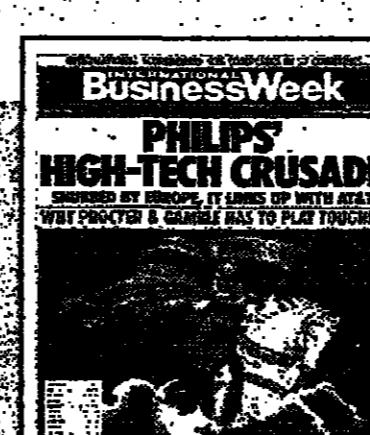
Whatever the ideal might be the fact is that the taxation rules which virtually all countries have imposed domestically and which they have negotiated in Double Taxation Agreements with one another at least in the past 50 years have been based on the principle of separate accounting and the application of the arms length principle in pricing between controlled companies. This system is approved both by the Organisation for Economic Co-operation and Development and the United Nations on the grounds that this would reduce the chances of war.

While the ideal might be to have a single system of taxation for all countries in the world, the reality is that it will never be the only factor and only rarely will it be a dominating one. Cheap labour, power, raw materials, supplies, etc, will all be equally important. Many developing countries are prepared to persuade multinationals (and domestic companies) to invest locally by way of grants, special prices for services/energy, etc., tax exemptions or export incentives; it would seem perverse to permit profits exempted from tax in the country in which the investment is made to be taxed in some other country in which no sales of the relevant or a related product may even be made.

The leading protagonists in the movement for unitary taxation on a worldwide reporting basis are among the richest countries or political subdivisions in the world (the reference by Ms Stewart to "weak administrations in poor countries" is hardly in point).

Unitary taxation is exploited

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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Tuesday October 4 1983

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Poulenc 'unlikely to improve in results'

By David March in Paris

RHÔNE-POULENC, France's nationalised chemicals group, expects no significant improvement in its results for the second half of 1983, which continue to be weighed down by losses in synthetic textiles and difficulties with its Brazilian operations.

The company, which made net losses of FF 76m (US\$8.8m) in the first half after a deficit of FF 944m in 1982, was, however, performing satisfactorily in its main-line chemicals - agro-products and health - where it had "nothing to be ashamed about," M. Louis le Floch-Prégent, chairman, said yesterday.

He was speaking at a press meeting called to give details of a recent series of joint-venture accords concluded in Japan, where Rhône-Poulenc has one of the strongest presences of any French industrial group.

Rhône-Poulenc now has collaboration agreements with Japanese companies covering five key market sectors: agro-chemicals, pharmaceuticals, films, silicones and polyamid resins. The Japanese companies involved are Showa Denko, Chugai, Tyson, Dai Nippon Ink and Mitsui Petrochemicals. The agreement with Mitsui, covering specialised polyamid resins for use in the electrical industry and precision engineering sectors, was concluded by M. le Floch during a visit to Japan in August.

He emphasised that Japan - the world's second largest chemical market - was an "essential" area for Rhône-Poulenc to attack. One of the group's main failings up to now has been its inability to gain footholds on important markets abroad, principally in the U.S. and West Germany.

In addition to its joint ventures - which are nearly all 50-50 operations with Japanese companies - Rhône-Poulenc's own subsidiary in Japan has turnover of about FF 600m a year, making it one of the biggest French subsidiaries there, along with those of Pechiney and L'Air Liquide.

Commenting on other parts of the group's Asian business, he said he planned to travel to China before the end of the year to discuss building up commercial sales.

German cartel allegations

By Leslie Clegg in Berlin

THE WEST GERMAN Cartel office has told Grundig and Telefunken, the electronic equipment manufacturers, that their distribution systems violate a ban on price-fixing and that they must be altered.

According to the office, Grundig's "depot" system and Telefunken's "agency" system obligate the trade to sell the companies' products at uniform prices throughout West Germany and not to offer customers discounts or other rebates. If a retailer's price differs from the fixed one it is threatened with a cut off of deliveries, the office said. The companies said they would appeal against the ruling.

KN Energy turns down Mesa bid

By Our Financial Staff

MESA PETROLEUM, the independent Texas oil company headed by Mr T. Boone Pickens Jr, has been rebuffed in its attempt to take over KN Energy, a Colorado-based gas pipeline company, for \$488m.

In a letter to shareholders, KN Energy said its advisers had concluded the offer was inadequate. The board plans to spin off into a new holding company the two main oil and gas exploration subsidiaries, Midlands Gas and Excelsior Oil.

Central American Bank for Economic Integration (CABEI)

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The Industrial Bank of Japan, Limited
Agent Bank

Gordon Cramb in New York examines the rash of offers for a West Coast steel concern

Kaiser's hidden assets tempt suitors

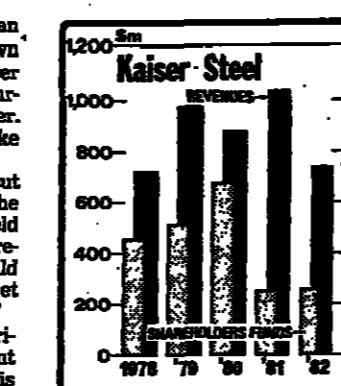
MR J. A. FRATES, of Tulsa, Oklahoma, whose second bid at a leveraged buy-out proposal for Kaiser Steel won board approval last Friday, is the latest in a line of investors who have emerged in the last few years to bid for the large but ailing west coast U.S. steel concern.

The revised offer involves the half-dozen member group led by Mr Frates in no significant cash outlay. Instead, they have secured a \$100m five-year term loan from Citibank of New York, while the remainder of the \$363m or more needed to buy out Kaiser's existing shareholders will come in the form of a preferred stock issue.

The 7.267m shareholders will receive \$22 per share in cash with the redemption value of one share each in two new series of Kaiser preferred, bringing the total to \$50.

This eclipses a previously agreed bid from another investors' group headed by Mr Irvin Jacobs, the Minnesota entrepreneur, which was valued at some \$370m. The first Frates approach had matched this, but Kaiser at that stage chose not to exercise the escape clause which would have allowed it to break off with Mr Jacobs.

This time, though, Kaiser has pledged to shun any further suitors until a shareholders' meeting in November. This would block any overtures



from a further group led by Mr Ivan Boesky of New York, who is known usually as a speculator in takeover candidates but may have had further-reaching designs on Kaiser. Last week his group lifted its stake to some 7.8 per cent.

The Jacobs holding was last put at around 18.3 per cent, while the Frates team now has held none at all. In submitting the revised offer, however, it said it would buy 250,000 shares in the market "to demonstrate its commitment."

Mr Frates runs a Tulsa-based private investment management group, Frates Enterprises, which is not involved in the Kaiser proposal.

The separate Frates group, which has been eyeing Kaiser for more than a year, also includes Mr Howard Samuelson, a former U.S. Under-Secretary for Commerce, who has been drafted in as managerial adviser.

The procession of bidders has been almost as numerous as Kaiser's boardroom changes as the company's metamorphosis from a family-run enterprise took it through a series of wrangles. Since 1980 this has seen Mr Edgar Kaiser - grandson of the founder - first threaten to liquidate the company, then step down as chairman, go on to rally dissident shareholders, and later act as consultant to the company's employees in their abortive moves

to take the loss-making main steel mill off the company's hands.

Talks on funding a workers' buy-out were said at one stage to have involved the British Steel Corporation (BSC), although this was denied from London.

With Mr Kaiser for the moment off the scene, the renewed interest by leveraged operators has come at a time of somewhat frenzied readjustments as the U.S. steel industry attempts to get in shape for a business revival. Republic Steel's prospective absorption into LTV is one further manifestation, and U.S. Steel's thwarted hopes of being permitted to import "swapped" BSC slabs for finishing can be read as

come forward with a cash component of only \$19.50.

The sticking point for the steel group on the first Frates bid, however, appeared mainly to be time, along with uncertainty as to how long the team would be able to raise the loan. Mr Stephen Girard, who rose through the ranks to become Kaiser's chairman in 1981, said the proposal would take "several weeks longer" to conclude.

The bidders and the company

have all taken the view that Kaiser

can no longer hope to make steel

profitably, and the rundown of the

Fontana works in California must

soon be completed. But both Mr

Frates and Mr Jacobs have insisted

that they intend to keep other areas

of its business as a going concern

rather than engage merely in asset

amputation.

In addition to coal, a fabricated

steel products division supplies the

growing offshore oil exploration in-

industry on the Pacific Seaboard as

well as making components for de-

fense and aerospace projects, in-

cluding the U.S. space shuttle.

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INTL. COMPANIES and FINANCE

Bernard Simon reports on the South African fertiliser industry

Drought sows seeds of discontent

All of these Securities have been offered outside the United States.
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New Issue / September, 1983

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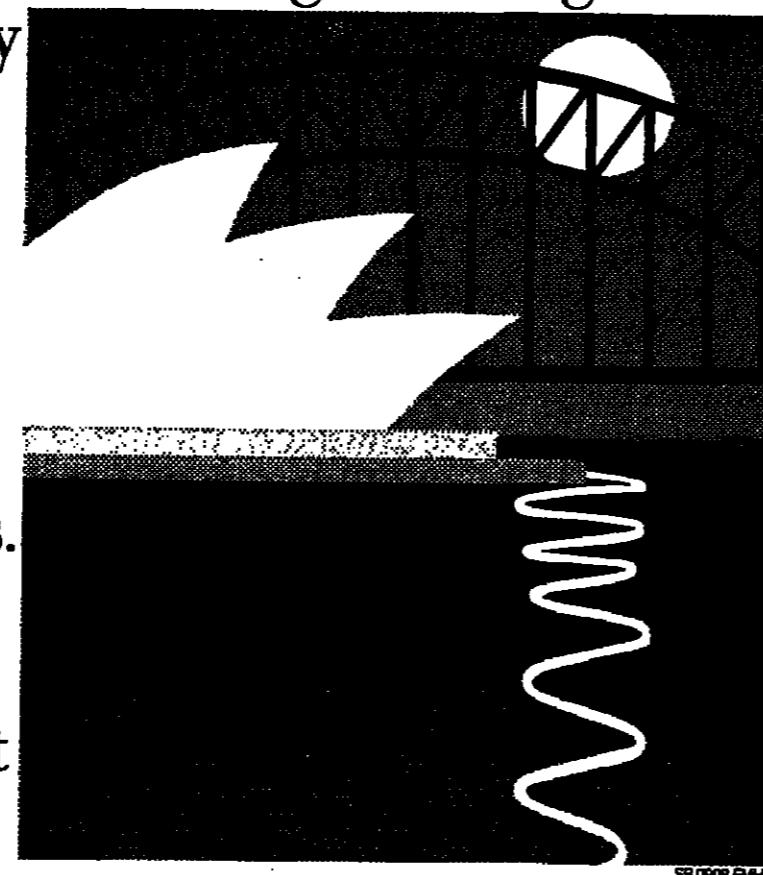
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RECENT EVENTS in South Africa's largest chemicals industry have made a tragic farce. Sunday newspaper readers have been entertained with juicy details of a gloves-off battle between Triomf, the country's biggest fertiliser group, and one of its smallest competitors, Hanhill. The more staid companies in the industry are trying to look the other way, hoping that soaking summer rains will soon stanch their mounting losses, now running at several million rand a month.

Industrial espionage and evidence obtained by phone tap are among the charges which have transformed smouldering personal animosities between Triomf and Hanhill executives into a blazing public row. To add spice to the saga, two of the principal actors are well-known former rugby stars.

These goings-on have been spurred by savage competition in the fertiliser industry, which is suffering an unprecedented slump in demand caused by the worst drought in living memory and the overall downturn in the South African economy.

Motballed

Sales of "plant food" the industry term for nitrogen, potassium and phosphates, were 30 per cent lower in the first eight months of this year than the 500,000 tonnes sold in January-August 1982. Even if good rains fall in the next few months, demand for the whole of 1983 will be between 10 per cent and 15 per cent below last year's volumes.

Sales are only about half the producers' monthly capacity of 340,000 tonnes. AECL, South

Africa's largest chemicals group in which XCI has a 40 per cent stake, recently mothballed an ammonia plant south of Durban with an annual capacity of 180,000 tonnes.

Fedimis, the fertiliser arm of the Sentracem group, has closed two of its three phosphoric acid plants. It is rumoured that Triomf will soon wind down operations at its Richards Bay phosphoric acid factory, which has been hit by dwindling export demand.

Despite these closures, producers are still sitting on mountains of stock — a further burden to their balance sheets.

According to one fertiliser expert, Fedimis is the only producer with a positive cash flow at present, partly because of its timely action in closing under-utilised plant and partly because it has been able to sell raw materials to less depressed sectors, such as the cement and animal feed industries.

Triomf has not consolidated

one industry insider of the demand for ammonia. Its competitors are bound to lose business. Triomf has an estimated 45 per cent of the consumer market. Fedimis 35 per cent. Sasol, which is helping Sasol into the retail market, has just over 10 per cent.

AECL is not in the domestic retail business, but has a 49 per cent stake in Triomf's operating subsidiary, Mr. Chris van Solms, AECL's director in charge of fertilisers, asserts that "what's good for Triomf in the market has got to be good for us."

Both AECL and Triomf are embroiled in legal proceedings to try to keep Sasol at bay. AECL claims that Sasol One has breached its agreement to keep out of the retail market, although no such contract exists with Sasol Three. The AECL/Sasol dispute is going to arbitration.

Triomf has failed to obtain a court order barring Sasol from the retail market. Triomf alleges that AECL's contract with Sasol applies to it too, because of the links between AECL and Triomf. But Mr. Louis Luyt, Triomf's chairman, now threatens to bring a suit against AECL. He claims that AECL has broken an agreement with Triomf obliging it to keep Sasol out of retailing and returning to Triomf buying Sasol nitrogen from AECL.

There is no pointer yet how the wrangle will end. They will almost certainly be quickly forgotten when demand comes closer to the industry's capacity. Meanwhile, industry gossip suggests that Sasol's competitors-to-be are looking at other ways to spike its guns. "It's going to be Sasol versus the rest," predicts one executive.

Air NZ shows midway operating profit

BY DAI HAWARD IN WELLINGTON

AIR NEW ZEALAND earned a NZ\$107m (US\$65m) operating profit for the first six months of the financial year to September 30, making a NZ\$33m turn-around from last year's NZ\$32m operating loss for the six months. International passenger traffic increased by 9 per cent on international flights and by 5 per cent on domestic services.

In the full financial year to March 31 Air New Zealand slashed its operating losses by NZ\$57m from NZ\$93m the previous

year, to leave it with a NZ\$40m operating loss. However, by selling surplus aircraft and gaining new credits, the airline finished the year with an overall net profit of NZ\$33m.

Announcing the results, Mr. Norman Geary, the chief executive, said: "We were over staffed, lacked a sense of commercial purpose and in some ways we were not professional enough. Not so now."

Mr. Geary said some foreign airlines were still experiencing the

serious troubles Air NZ had been through, and he warned that this might not subside.

Air New Zealand announced it was increasing its shareholding in the Mount Cook group, the country's largest independent airline, to 45 per cent from 15 per cent. Mount Cook is also heavily involved in tourist operations.

The deal, which involves the transfer of 1.9m ordinary shares and 722,000 preference shares, will cost Air NZ NZ\$10m.

Philippines can project dropped

AMERICAN CAN, one of the biggest U.S. tin can producers, is to drop a US\$50m project in the Philippines, writes Emilia Tagaza in Manila.

American Can formed a joint venture with United Coconut Planters Bank (UCPB), one of the biggest local banks, to manufacture lead-free tin cans for beer, beverage and processed food.

Hongkong Land sells office

HONG KONG — Hongkong Land, the colony's largest real estate concern, has completed the sale of an office building in Honolulu for US\$9.6m in cash.

Buyer of the 337,000 square feet Davies Pacific Center was VMS Realty Partners of Chicago.

The sale is timely and could well be followed by more where Hongkong Land can find buyers for its properties. The

company has said on

several occasions that one of

its major goals this year is

reducing debt. It has sold off

other major assets where

buyers could be found.

AP-DJ

Pick 'n Pay lifts sales by 23%

BY OUR JOHANNESBURG CORRESPONDENT

PICK 'N PAY, the fast-growing South African supermarket chain, adopted a highly aggressive marketing strategy in the six months ended August. As a result, first-half turnover of R896m (£632m) was 23 per cent higher than the R565m of the corresponding period of 1982.

The strategy of boosting turnover during an economic recession was based on narrower margins. As a result, first-half trading profit before tax rose by only 1.6 per cent to R15.6m

from R17.1m. In the year ended February 28 1983 turnover was R1.23bn and pre-tax profit R81.1m.

The retail food trade is becoming increasingly competitive. Mr. Raymond Ackerman, chairman, has said he is willing to accept still narrower margins as a means of improving his market share.

According to a market survey, the company

has increased its share of the country's total retail trade from 3 per cent to 6 per cent in the past seven years.

Mr. Ackerman points out that the group's share is much larger if

food items alone are taken into account.

The group's 10th hypermarket is due to be opened in November and three more supermarkets are scheduled to be opened in the current half year. This will raise the total number of supermarkets managed by the chain to almost 70.

First-half earnings have increased to 57.1 cents a share from 49.6 cents and the interim dividend has been raised to 16.5 cents a share from 14 cents.

Earnings for the year are 141 cents a share, and total dividend 61 cents.

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THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Start-ups: a look at the survivors

BY TIM DICKSON

AT WHAT STAGE are new businesses most likely to fail? Policymakers, bankers and fund managers are among the many interested parties ever eager to find an answer to this question, though to date their efforts to do so have been dogged by the lack of adequate data.

The table (right) may contain some significant new clues. Extrapolated from a table in the August 12 edition of *British Business*, the Department of Trade and Industry's own magazine, it is based on all those businesses which have been registered for VAT since January 1974. It confirms the widely held belief that firms are most vulnerable in the first three years after "birth" and that in this period the highest annual percentage failure rates occur. More important, though, it illustrates very graphically that among those that do survive the early traumas, the subsequent annual failure rate is much much smaller.

The figures and conclusions of the August 12 article, written by the economist in the small firm's division of the DTI, P. Ganguly, are based on an analysis of businesses registering and deregistering for VAT between April 1973 and the end of 1982. "Births" are derived from businesses that start up and "deaths" from those that deregister. While VAT statistics are far from perfect—businesses, for example, can deregister voluntarily if their turnover falls below £17,000 and they are not required to register until sales are over £16,000—

BUSINESSES REGISTERED FOR VAT BETWEEN 1974-82			
Year	Number of businesses	Percentage of number of failures	Survivors/failure ratio
1	1,400,777 (100)	16	96 9:1
2	1,255,357 (90)	13	87 6:7
3	1,097,410 (78)	10	90 9:1
4	990,560 (71)	7	93 13:1
5	924,342 (66)	4	96 24:1
6	884,326 (63)	3	97 32:1
7	859,425 (61)	2	98 49:1
8	845,487 (60)	1	99 50:1
9	839,132 (60)	0.2	99.8 500:1
10	837,377 (60)	—	—

Source: Department of Trade & Industry

they probably provide as comprehensive a sample of full time traders in the UK as could be expected given the formidable difficulties of collecting such information on a systematic basis and keeping it up to date. (For full details of the data see *British Business* August 12 1983.)

The main conclusion of the August article was that, on average, about 40 per cent to 45 per cent of businesses registering for VAT in any one year are likely to survive for a minimum of 10 years. (This included an estimate of 1973 figures, not included here.) The table takes that exercise further by pinpointing the ratio of failures to survivors for businesses of a certain age (from one to 10 years).

Thus, the third and fourth columns show that 10 per cent of 3-year-old businesses went under whereas as many as 96 per cent of seven-year-old businesses continued to survive. Earlier work by Ganguly has suggested that, of all businesses, around 10 per cent will fail, year in, year out.

The implication of the findings for fund managers is clear. Most investment portfolios comprise a cross-section of business types—in different sectors and locations and in different stages of their life cycles. The objective of such a spread is to balance risk. If the failure rate among the investment portfolio should become unusually high one remedial step could be to study the mix between mature and young business in the portfolio and adjust it accordingly.

The greater risks associated with businesses at an early stage of development arguably highlight where the bulk of advice and public sector support such as the Loan Guarantee Scheme

expenditure projects.

THE PROBLEM of small companies in peripheral regions were highlighted last week.

Gerry Joyce, a solicitor in the West of Ireland, told delegates at a conference to mark the 1983 year of Small and Medium Sized Enterprises (SMEs) and craft industries that it cost him £50 per tonne to get his product to the German market, compared with £30 per tonne for a Danish rival. He made a strong plea for an EEC transport subsidy for member states with high transport costs.

Other speakers at the conference in Galway—as peripheral a region as any—criticised Irish governments for failing to create a climate

should be targeted (though little evidence yet exists that such an approach is commercially cost effective). The table, meanwhile, also bears out the claims of venture capitalists who argue that handholding and active management participation by investors may be in their own self interest.

What the table does not indicate, of course, is size of business numbers employed or relative growth potential (rewards as well as risks are high in the early years). The point has not been lost on the banks that many small businesses whose capital base is often adequate to provide the requisite security are safer lending propositions than start-ups.

As Ganguly implied in an earlier article, the Government's policy is designed to demonstrate, investors surely cannot afford to ignore the riskier end of the spectrum. "With a large proportion of the industrial and commercial base needing replacing each year, attention not only will be given to the question of who is best able to provide the replacements. The notion that small firms rather than the larger ones are better able to go on continuously providing the businesses of the future lies at the heart of the argument about this country's poorer economic performance. The higher rates of innovation, the greater the chance of success; and the more active the small firms section, the greater the chances of achieving higher rates of innovation."

Philipps of Eindhoven, the giant Dutch electricals group, has just launched a major initiative to get new companies off the ground and into the market-place. Philips, whose partner in the project is the Nederlandse Middenstandsbank (NMB), is thus set to join Olivetti of Italy which earlier this summer (see Management Page, August 9) claimed to be the only major European industrial group involved in venture capital.

Philips will provide business acumen, laboratory facilities and technical advice while NMB—the fourth largest Dutch commercial bank—will put up the money. The two together will vet all applicants and the administrative costs will be split down the middle.

Philips is in no doubt about why it wants to get involved. Leo van Eijnden, director of Nederlandse Philips Bedrijven, the Dutch domestic division of Philips, says that, with an economic recession in full cry, people turn to large corporations to help get things moving again.

"It is our duty to do what we can. Also, of course, there is an element of self-interest.

Philips needs a sound economic climate for its own development and it is beneficial to all if we in some way stimulate Dutch business activity. The improvement of technology generally means more opportunities for our sub-contractors."

Philips spends some F1.27bn (£800m) annually on goods

from around 10,000 small Dutch suppliers, and van Eijnden believes that the best support he can offer to a company is his custom. To build up the quality and the quantity of reliable suppliers, especially in new fields, however, a little additional help may be required.

He makes it plain that venture capital and other assistance to small companies is still seen primarily from "a clear-cut business perspective."

Talking of small company technology generally, Dr Wisse Dekker, Philips' chairman, has an equally pragmatic approach.

"We are dealing with the phenomenon of small, high technology companies in two different ways," he explains. "One is that all the time we are on the lookout for smaller companies developing interesting ideas, but which have problems bringing them to the market.

"A good example is our textile equipment—word processors. A few years ago we collaborated with a small—

at the time a very small—Canadian company, Micros,

which is now a pretty big com-

pany with a reasonable share of the U.S. market.

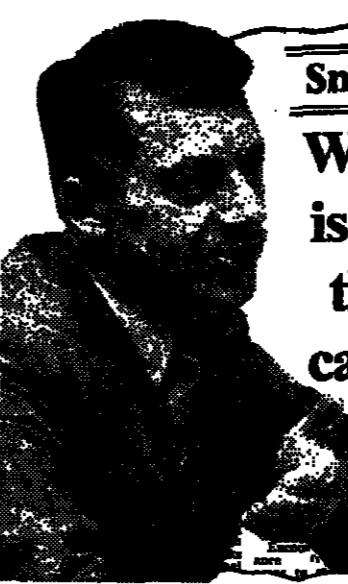
"The other way in which a big company can contribute is by actually encouraging a smaller company to develop faster. People in a smaller company are dedicated and can often be a lot quicker. Whether you approach it from the point of view of acquisition or from the standpoint that the smaller company should be helped develop a technology, the result should be to the benefit of both.

"With the integrity of Philips, if the smaller company has a good technology, there is no reason why a big company should not take over that technology or make an agreement with the smaller company to make use of that technology."

Is there not a danger in this approach of snuffing out a small company's vitality? "You have to be very careful," admits Dekker. "Generally speaking, when a bigger company takes an equity stake in a smaller one the smaller company loses its independence together with many of the inherent benefits.

Philips joins the venture capital ranks

BY WALTER ELLIS



Small Business

Why Olivetti is promoting the venture capital cause

BY TIM DICKSON

Leo van Eijnden: "In recession, people turn to large corporations to get things moving again"

Co-operation is better through licensing agreements, or maybe by financing certain developments. Acquisitions of smaller companies are more often the result of lack of sufficient funds to develop than because they are desirable."

Dekker's last remarks contain the key to the new Philips-NMB scheme. Takeovers and direct exploitation are not what either Eijnden or Dekker has in mind. Van Eijnden stresses the point: "We want to safeguard the integrity of Philips. We don't want to take over another man's ideas. If there is ever a conflict of interest, we will advise the man to take his project to a third party for further development."

Cees Valk, director of the small and medium-sized business service of the NMB—a directorate with a staff of 30—is also concerned to point out that no one is seeking to hijack other people's genius. "Great caution," he says, "will be exercised by the NMB-Philips foundation over the ownership of ideas. Any patents developed

would be held by the companies themselves and, if for sale, could be offered to all interested parties."

The idea is that the new foundation, with members drawn from Philips and the NMB, will evaluate applications from small companies—low and medium-tech, as well as high. Companies whose ideas are considered viable will be offered development funds and financial guidance from the bank and both technical facilities and marketing assistance by Philips.

The fact that small companies will have access to the famous Philips research laboratories is certainly appealing. But according to van Eijnden, the problems of new entrepreneurs are largely in the administrative, business and sales area. A study by the Dutch economics ministry confirms this view, stating that problems of technology are low on the list of difficulties facing new business men in the Netherlands. "The barriers that a young starter has to break through are business and sales. Quality control and marketing are two of the most important skills to be acquired as well as an understanding of money."

"This is why we chose to work with NMB," says van Eijnden. "They have the best know-how in this area, plus the facilities and the experience. After all, they have been in this business since 1927."

Valk returns the compliment. "We have more experience than Philips in aiding entrepreneurs from scratch. But Philips is prepared to go back to basics and use its vast technical and development expertise to aid small companies."

Like Philips, NMB is not going to the trouble of helping set up a new foundation for purely philanthropic reasons. Although it does not require foundation clients to accept funding only from the NMB, it obviously wants business. It wants clients. And the small businesses of today could turn out to be the giants of tomorrow—or at least solid employers with respectable results.

Valk and his colleagues all have experience of helping start-ups and of administering various other schemes, including a highly successful small business centre in Almere, north-east of Amsterdam. Philips, too, has previously invested in little companies with interesting ideas, having last year helped set up a computer-based company in The Hague following the closure of one of its own subsidiaries there, Philips Data Systems.

In brief...

CENTREWAY TRUST, the publicly quoted Birmingham-based industrial holding company, is to start to launch a Business Expansion Scheme fund. In a thinly-disguised sidestep, at some of the competition, the promoters maintain that the fund "is being run by professional and successful businessmen able to recognise potential ahead of the City." Not surprisingly, in view of recent criticisms, they also draw attention to the absence of any initial charge and the fact that interest earned on uninvested cash will be credited to investors' accounts. (Most other fund managers keep the interest.)

Centreway, however, will charge investors companies a

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WEDNESDAY, 19th OCTOBER, 1983

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BIDS AND DEALS

Norcros takes 19.6% stake in UBM

BY RAY MAUGHAN

Norcros, the industrial holding company, came back strongly into the market for shares in UBM Group, the builders merchant for which it is bidding £73m, as it declared that it had acquired a 19.59 per cent stake.

UBM's share price fell back 4p to 121p yesterday, in the 24 hours before Norcros' revised cash and equity offer reaches its next closing date. That allowed Norcros into the market in

pursuit of its alternative 125p-per-share cash offer, for which the stock market was quoting cash deals at 124p per share.

The bidder is expected to disclose the level of its acceptance today but it has not yet indicated when the £73.3m cash alternative will expire, as the equity runs up to close on October 23.

Whatever the final outcome of what is becoming an increasingly tight battle, the

bidding investment bank, which holds 10.3 per cent of UBM's shares

ECI has let it be known that, in the rare event of being asked to accept this offer or take any action to assist Norcros in buying UBM shares in the market."

Newarthill said yesterday that "we wish to state that we do not intend to accept this offer or take any action to assist Norcros in buying UBM shares in the market."

It implied that it was following the lead adopted by Equity Capital for Industry, the so-

Rightwise shares jump 33p on bid news

SHARES IN Rightwise, the plantations group, leapt 33p to 235p yesterday following an announcement over the breakdown of details of a recommended offer by Crosby House for the 48 per cent stake in Rightwise that it does not already own. Rightwise shares had been suspended at 200p since late August.

It takes up fully, the share of 100,000 ordinary shares at 235.5p a share. Crosby House's shares slipped by 5p to 175p following the news. They had also been suspended since August.

Crosby House, which is more than 70 per cent owned by International Investment Trust Company of Jersey (IIT), is traditionally involved with freight forwarding and container storage.

However, assuming the offer is successful, it will change its name to REA—which in full would be Rubber Estates Agency—reflecting a shift in emphasis to commodity trading and specialist bulk storage.

Mr Nigel Newby, Crosby's managing director, said yesterday that the merger served the needs of the company to diversify its activities, and would greatly simplify administration in two businesses which already overlap significantly.

As part of the deal, IIT will acquire from Crosby House its 43 per cent holding in Para Telephones Company, a small investment company, for £120,000.

In addition, there will be a management buyout of the group's freight forwarding business, with £200,000 being paid for goodwill.

Following an offer by IIT for Crosby House early this year, IIT boosted its holding from 37 per cent to more than 70 per cent. Following the acquisition of Rightwise, which will involve the issue of just over 2m Crosby shares, IIT's stake is expected to fall to just a little more than 50 per cent.

ITI has for the past two years been controlled by the Roblin family—largely Mr Hermann Roblin, a director of N. M.

FKI Electricals

Following admission of FKI Electricals to the official list, Mr A. Garland, chairman and chief executive, has sold 1.5m ordinary (17.9 per cent) and Mr F. Berry, executive technical director, has sold 5.5m ordinary (5 per cent).

Following the disposals Mr Garland's holding is 22.6m ordinary (33.4 per cent) and Mr Berry's is 6.85m ordinary (8.1 per cent).

They do not intend to dispose of any more of their holdings for a period of at least one year.

Tate of Leeds

Agreement was reached between T. P. Tate and the directors representing shareholders not connected with the Tate family interests on the terms of a scheme involving the proposed acquisition of all the 578,519 ordinary in Tate (48.21 per cent) that are not already owned in the Tate family interests.

It is proposed that this acquisition should be made by Tate Holdings, a company controlled by T. P. Tate together with other members of his family and family trusts, by means of a scheme of arrangement under the Companies Act 1948.

Terms of the scheme are such that holders of the minority shares would receive: 210p in cash for each Tate ordinary.

John Waddington

Pergamon recently acquired 261,000 ordinary of John Waddington of which 256,000 were acquired in exchange for 738,000 ordinary in BPCC. Pergamon owns or controls 91.85m ordinary shares in BPCC (76.7 per cent).

Country Gentlemen

Country Gentlemen's Association has bought the chartered accountancy practice of Anthony Bannister and Co. of Cullompton, Devon, for a basic sum of £268,000.

The profits of the practice as at September 30 1983 are about £15,000. As a result of this transaction the CGA hopes to expand its professional services and representation in the West country.

Parkfield Foundries

Parkfield Foundries announces that preliminary negotiations are taking place which may lead to a modest acquisition.

Such an announcement would not normally be issued at this early stage but, in view of the current rights issue, the board wishes shareholders to be aware of these discussions.

Dewhurst Dent

Dewhurst Dent, a privately owned company, is to purchase Dewhurst Dent, the glove maker and warehouse group, in an agreed takeover.

The deal follows an agreed year, directors' participation further steady growth with PFI making a further marked recovery as efficiencies are improved.

English China

English China Clays has acquired SPH Chemicals, the clay division's agent for pigment for the paper industry in Sweden.

The acquisition from the present owners, a consortium of papermakers and forest owners, is made for a cash consideration of SFr 31,275,000 (£2,637,000).

The purchase last year of the other Swedish sales agent AB CDM.

The purchase enables ECC to unify and strengthen its selling arrangements in Sweden, a major market for products of the Clay Division.

Duport

Duport has acquired Kendrick Computing for £244,000 cash.

Kendrick provides a range of specialised computer services, data processing on a bureau basis, and a computer systems for companies with full facilities management.

Brown & Tawse

Capiro Industries are interested in 2.05m ordinary shares in Brown and Tawse (9.85 per cent).

Promoted by the International Council of Societies of Industrial Design (ICSID) by the Industrial Design Association (ADI) and the Italian Association of Furniture and Interior Decoration Industries (ASSARREDO) in cooperation with Philip Morris under the Patronage of the President of the Republic of Italy, organized by FILSMA, Federlegno-Arredo Fair Organization.

ICSID design '83 congress.

Milan, October 23-29, 1983.

World congress on industrial design.

Congress schedule of events

October 23rd, 1983
Inaugural ceremony featuring piano concert (La Scala Theater)

October 24th, 1983
In the morning (Dal Verme Theater)
"Elements for an international technical and socio-economic scenario".

In the afternoon (ex Stelline Palace)
Design and industry.
Design and technology:
the building industry.
The automobile.
The context of global design.

October 25th, 1983
In the morning (Dal Verme Theater)
Italy: an analysis of a real situation".

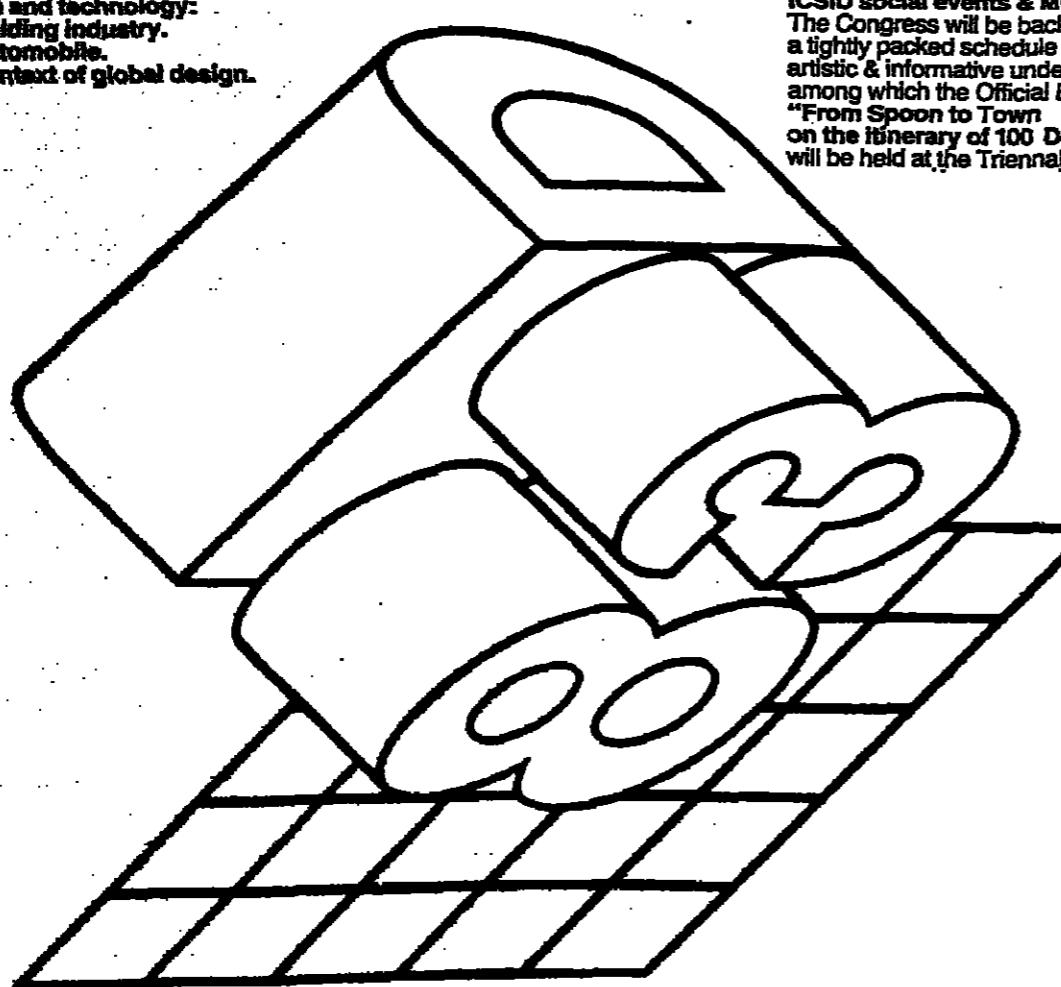
In the afternoon (ex Stelline Palace)
Philosophies.
Criticism and the press.
Fashion design.

October 26th, 1983
In the morning (Dal Verme Theater)
"Design as an emerging value".

In the afternoon (ex Stelline Palace)
Design in transition: Industry.
Design in transition: Public bodies.
Promoting design to school children.
New possibilities of design education.

October 27-28-29th, 1983

ICSID social events & Meeting.
The Congress will be backed up by a tightly packed schedule of cultural, artistic & informative undertakings, among which the Official Exhibit "From Spoon to Town on the itinerary of 100 Designers" will be held at the Triennale in Milan.



Registration fees:
participants: 655,000 lire
students/
social participants 370,000 lire

Congress Secretary's Office.
FILSMA: Via Mascheroni 19.
20145 Milan
Tel. 033250-468793
Telex 334590 FILSMA-I

Eagle Star company to seek full listing

Grovewood Securities, the industrial holding company in Eagle Star Holdings, is about to bring its high technology company VG Instruments to the market. It is believed that around 25 to 30 per cent of the equity will be on offer and the company will be seeking full

VG Instruments is the jewel

in the Grovewood crown, contributing £m of the £17m 1982 pre-tax profits. It specialises in a wide range of measuring instruments, including mass spectrometers and electron optics and employs 1,000 people.

This first move in a possible series of disposals from Eagle Star could explain the high activity in Eagle Star shares over the past couple of weeks and the strong rise in share price. But there are other speculative rumours concerning the intentions of the West German insurance group Allianz. Allianz yesterday again denied that it was negotiating the sale of its holding and it expressed concern at the rumours circulating London regarding its intentions. It claimed that these rumours were obviously aimed at bringing about "share price changes for purposes of speculation".

Allianz also reiterated its interest in acquiring Corribill Insurance, now a member of BTR. But it stressed that while such a development would lead to a consideration of its Eagle Star stake, it would not necessarily result in an automatic disposal.

London Trust buys commodity advisor

London Investment Trust, the financial services group involved in commodity broking and clearing in the UK and the U.S., has acquired Tillotson Commodity.

Tillotson, founded in 1978, is the commodity trading advisor to the Wren Group of commodity units trusts, as well as to a number of private and corporate commodity investors.

The initial cash consideration will be based on the audited net asset value of Tillotson as at July 31 1983 estimated to be around £200,000. In addition, a deferred consideration of some 50 per cent of pre-tax profits earned by Tillotson in the two accounting periods covering the 28 months to November 1985, will become payable.

The deferred consideration will be payable in cash or at the vendors' option up to £120,000 of such consideration may be satisfied by the issue of LIT shares valued at 60p each. In addition, the 18 month period to November 30 1984 and up to £210,000 by the issue of LIT shares valued at 70p in respect of the year to November 30 1985.

For the eight months to July 31 1983, Tillotson produced pre-tax profits of £61,000.

Armstrong Eqpt. Australian sale

W. H. Wylie & Co. (Pty) of Adelaide has agreed to purchase those assets of Armstrong York (Pty), a subsidiary of Armstrong Equipment, which are concerned with the manufacture and sale of automotive suspension equipment.

The consideration for building plant and equipment and inventory at valuation is approximately A\$4.1m (£2.45m), against a book value at June 30 1983 of A\$4.23m. The purchaser will also pay redundancy costs. The completion date for the transaction is October 31 1983, with final figures for inventory 21 days later.

The automotive component division of Armstrong York has made substantial losses over each of the past two years.

Coated Electrodes

The sale of a controlling interest in the British Steel Corporation's coated electrodes businesses to a group of the management has been completed.

The businesses were sold to a new company, Coated Electrodes (Holdings), in which 52 per cent of the equity will be held by the management team and 48 per cent by BSC.



RUGBY CEMENT

Interim Report

The Directors of The Rugby Portland Cement P.L.C. announce that the unaudited Group results for the six months to 30th June 1983 were as follows:

	6 months to 30th June 1983 £'000	6 months to 30th June 1982 £'000	Year to 31st Dec 1982 £'000
Turnover	67,497	65,500	135,521
United Kingdom	12,674	15,292	30,186
Overseas	50,171	81,792	165,707
Trading Profit	8,094	7,998	16,639
United Kingdom	2,318	3,183	5,915
Overseas	10,412	11,181	22,554
Interest Received and Investment Income	2,013	2,170	4,528
Interest Paid	(1,581)	(1,967)	(3,816)
	10,834	11,384	23,267
Group Share of Associated Companies	(125)	(116)	286
Profit before Taxation	10,709	11,288	23,553
Taxation	(2,609)	(2,315)	(5,702)
United Kingdom	(770)	(979)	(2,131)
Overseas	111	(3,268)	(7,855)
Profit after Taxation	7,441	7,974	15,688
Minority Interests	(120)	(168)	(317)
Profit before Extraordinary Item	7,321	7,806	15,381
Extraordinary Item	—	—	(226)
Profit after Extraordinary Item	7,321	7,806	15,155
Earnings per Share	6.1p	6.5p	12.9p

The results for the year to 31st December 1982 are an abridged version of the Company's full accounts for that year which received an unqualified auditors' report and have been filed with the Registrar of Companies.

The U.K. Cement Group benefited from modestly higher sales tonnages and the continuing cost reduction exercises. However, its improved profits were partially offset by the results of Rom River, which, in difficult circumstances produced a small trading loss.

The fall in overseas trading profits reflects the devaluation of the Australian dollar and the lower demand for cement from the depressed building and construction industry in Western Australia. The Parmelia Hotel continued with its steady progress.

With regard to the second half of the year, a further deterioration is expected from Rom River. Strenuous action is being taken to improve the position, as the dividend will be paid on the 3rd January 1984 to shareholders on the register on the 4th November 1983.

	6 months to 30th June
--	--------------------------

This Prospectus includes information given in compliance with the Regulations of the Council of The Stock Exchange in London, for the purpose of giving information to the public with regard to Ireland and the Stock. Ireland has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. Ireland accepts responsibility accordingly.

Dated 4th October, 1983



Ireland

Offer for Sale on a yield basis of

£50,000,000 Loan Stock 2008

payable as to £25 per cent. on application
and as to the balance by 23rd January, 1984
with interest payable half yearly on 12th April and 12th October

by

County Bank Limited
Baring Brothers & Co., Limited **Lloyds Bank International Limited**
Allied Irish Investment Bank Limited

S. C. Warburg & Co. Ltd.
Morgan Grenfell & Co. Limited
The Investment Bank of Ireland Limited

Application has been made to the Council of The Stock Exchange in London for the £50,000,000 Loan Stock 2008 (the "Stock") to be admitted to the Official List on the 12th October 1983.

It is expected that dealings on The Stock Exchange will begin on Friday, 7th October, 1983, without deduction of tax, and at seller's risk, for deferred settlement on Thursday, 13th October, 1983.

The Stock will be available either in registered form, transferable in amounts and multiples of one penny, or at the option of the holder, in bearer form, represented by bearer bonds which will be available in the denominations of £10,000, £25,000, £50,000, £75,000, £100,000, £125,000, £150,000, £200,000, £250,000 and £300,000.

Interest will be payable quarterly on the Stock, in registered form and bearer bonds (party paid) at the rate of 2.25 per cent. and the gross redemption yield, representing three months' interest, will be 2.005 per cent. being rounded upwards, on 13½ per cent. Treasury Stock 2004-08 at 3.00 per cent. on Wednesday, 5th October, 1983, the price can dividend of such Stock to be determined by the Lead Managers to be the arithmetic mean of the bid and offered prices quoted on a daily basis for settled Stock on the following business day, less the amount of the dividend paid on the Gilt-edged Stock. The gross redemption yield will be expressed as a percentage and will be calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the *Journal of the Institute of Actuaries* Vol. 80, Part 1, April 1980.

The rate of interest applicable to the Stock will be determined by the Lead Managers and will be an integral multiple of one eighth of one per cent. and the issue price, which will not be greater than per cent. less 5½ per cent.

It is intended that notice of the Issue Yield, rate of interest and issue price will be published in the *Financial Times* on Thursday, 6th October, 1983.

THE APPLICATION LIST WILL OPEN AT 10.00 A.M. ON THURSDAY, 6TH OCTOBER, 1983 AND WILL CLOSE LATER THE SAME DAY.

PROCEDURE FOR APPLICATION

Each application for Stock must be made in the form of the application form provided herewith and must be lodged with Lloyds Bank Plc, Registrar's Department, 111 Old Broad Street, London EC2N 1AU not later than 10.00 a.m. on Thursday, 6th October, 1983 and must comply with the provisions of "Terms of Payment in Respect of Applications" below.

Applications for Stock must be for a minimum of £100 nominal amount of Stock and thereafter for the following multiples of Stock:

Amount of Stock applied for	Multiple
Up to £1,000	£100
£1,000 to £10,000	£1,000
£10,000 to £25,000	£2,500
£25,000 or greater	£5,000

County Bank Limited, Hulme Samuel & Co. Limited and S. C. Warburg & Co. Ltd. (the "Lead Managers") reserve the right to reject any application or to accept any application in part only. If any application is not accepted the amount of the application will be returned by the Lead Managers to the person submitting the application and if any application is accepted for a smaller amount of Stock than that applied for, the balance of the amount paid on application will be so returned without interest, and in the meantime all such amounts will be held in a separate account.

The Lead Managers will make the Stock available on the basis of allotment by 9.30 a.m. on Friday, 7th October, 1983. It is expected that applications of allotment will be despatched on that day. Acceptances of applications for Stock will be conditional (*inter alia*) upon the Council of The Stock Exchange admitting the Stock to the Official List on Wednesday, 12th October, 1983. No application for Stock will be accepted at the rate of 2.25 per cent. if the application is not accepted, if the Lead Managers do not have the right to terminate the Subscription Agreement or if the conditions thereof are not fulfilled (see "General Information — Subscription Arrangements" below).

TERMS OF PAYMENT IN RESPECT OF APPLICATIONS

Each application, unless made by a recognised Bank or Stockbroker taking advantage of the alternative method of payment described below, must be accompanied by a cheque made payable to "Lloyds Bank Plc" and crossed "Ireland Ltd", representing payment at the rate of 2.25 per cent. of the nominal amount of Stock applied for. Such cheques must be drawn on a branch of the United Kingdom or the Channel Islands of a bank which is either a member of the London Stock Exchange or a branch of a bank which is arranged for its cheques to be cleared through the facilities provided for members of those Clearing Houses.

The alternative method of payment for payments of £10,000 or more, is available only to recognised Banks or Stockbrokers (as defined below) who directly engage in the application for Stock by lodging an application to Lloyds Bank Plc for credit to the account designated "Ireland Loan Stock Application Payment" by 10.00 a.m. on Wednesday, 12th October, 1983. No application for Stock will be accepted at the rate of 2.25 per cent. if the application is not accepted, if the Lead Managers do not have the right to terminate the Subscription Agreement or if the conditions thereof are not fulfilled (see "General Information — Subscription Arrangements" below).

Interest

The Stock will bear interest from 12th October, 1983 at a rate per annum to be determined in accordance with "Determination of Rate of Interest and Issue Price" above. Interest will be payable by equal half yearly instalments on 12th April and 12th October, 1984 and thereafter by 12th April and 12th October, 1985, except that the first payment of interest in respect of the period from 12th October, 1983 to 12th April, 1984 will be made on 12th April, 1984 and will be calculated using the following formula:

$$I = \left(\frac{103}{365} \times \frac{25}{P} \times R\% \right) + \left(\frac{80}{365} \times R\% \right)$$

where I is the first payment of interest on £100 nominal amount of Stock; and

P is the issue price of Stock; and

R is the rate of interest attached to the Stock; and

Interest will cease to accrue on the Stock on the due date for redemption unless payment of principal is improperly withheld or refused.

Form

The Stock will be available either in registered form (hereinafter referred to as "Registered Stock") or, at the option of the person entitled thereto, in bearer form (hereinafter referred to as "Bearer Stock"). On or after 20th October, 1984 and subject as hereinafter provided, Registered Stock may be exchanged for Bearer Stock and vice versa, and Bearer Stock may be exchanged for Registered Stock. Bearer Stock will be represented by bearer bonds which will be available in the denominations of £10,000, £25,000, £50,000, £75,000, £100,000, £125,000, £150,000, £200,000, £250,000 and £300,000.

Interest will be payable either in registered form (hereinafter referred to as "Interest Payment Date" in each year except for the first payment of interest in respect of the period from 12th October, 1983 to 12th April, 1984, 1984 will be made on 12th April, 1984 and will be calculated using the following formula:

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Settlement

The Stock will be available either in registered form (hereinafter referred to as "Registered Stock") or, at the option of the person entitled thereto, in bearer form (hereinafter referred to as "Bearer Stock"). On or after 20th October, 1984 and subject as hereinafter provided, Registered Stock may be exchanged for Bearer Stock and vice versa, and Bearer Stock may be exchanged for Registered Stock. Bearer Stock will be represented by bearer bonds which will be available in the denominations of £10,000, £25,000, £50,000, £75,000, £100,000, £125,000, £150,000, £200,000, £250,000 and £300,000.

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UK COMPANY NEWS

Foseco starts on recovery trail

IN THE first half of 1983 Foseco Miners, maker of specialised chemical products, has shown some recovery from the depressed conditions encountered progressively during the second half of 1982, and has benefited from rationalisation undertaken in the last year.

As a result, profit for the half year ended June 30, 1983 came to £27.82m, against £25.54m in the second period of 1982 and £29.32m in the first. The directors consider that the outlook is better than a year ago and look to a continuation of the improvement. The interim dividend of 3p is being paid at 2.65p net per share.

The improvement in trading conditions worldwide, referred to in May, has continued and results in all sectors are as good as or ahead of the second half of 1982. However, the market upturn is patchy, typified by the U.S. where the Foseco Steel and Unicorn operations are benefiting, but the Foseco Foundry and Foseco operations are still facing depressed demand.

Of the four sectors, Foseco has shown recovery, Foseco continues to perform well, Unicorn has produced better results in recent months, and Foseco has made a useful and improved contribution to profitability.

In the 1983 half year external sales reached £192.41m (£192.20m net and trading profit came to £10.4m (£1.2m). After tax £17.7m, minorities £38.000 (£425.000), and preference dividends £84.000 (same), the profit attributable to the ordinary was £2.53m (£4.87m). Earnings are shown at 4.4p (5.6p).

Goodwin ahead

Engineering and metal processing group Goodwin returned pre-tax profit of £264,000, compared with £264,000 for the year to April 30, 1983 from turnover of £16.86m, against £15.57m for 1982.

Earnings rose from £2.65p to 3.75p per 10p share but the dividend is held at 0.53847p net. Tax took £32,000 (£79,000), leaving £271,000 (£332,000), including a £34,000 deferred tax relief credit.

FII growth runs into second half: pays more

THE TRADITIONAL pattern of lower second half profits has been broken by FII Group in the year ended May 31, 1983. This time the profit reached £402,000, against £238,000 in the corresponding period, to make the total £728,000 for the full 1983 year, an increase of £150,000, or 34 per cent over the previous year.

Earnings are shown to be up from 7.5p to 9.5p, and a final dividend of 3.75p raises the total to 5.25p, compared with 5.04p.

Turnover for the year was up from £7.82m to £10.06m. Sales in the first four months of the current year were higher (£225,000) than last year (£200,000) and extraordinary charges £63,000 (£113,000), leaving the net profit at £233,000 (£205,000).

The extraordinary item this year covers the cost of outlet premises and the initial setting up costs of the new medical division.

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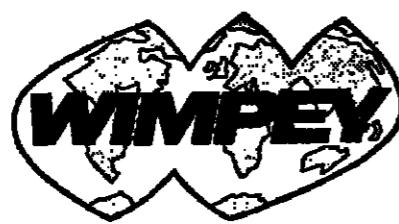
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Interim Statement

for the half year ended 30th June, 1983

	6 months to 30.6.83 £m	6 months to 30.6.82 £m
Turnover — Work carried out by the Group including attributable Share of Associates	616.0	517.0
Operating Profit including Share of Associates	16.1	13.4
Interest Payable less Receivable	7.9	7.2
Profit Before Taxation	8.2	6.2
Taxation	2.0	1.2
Profit After Taxation Attributable to Shareholders	6.2	5.0

The directors have decided to declare an interim dividend of 0.85p per share (0.85p*) totalling £2,333,600 (£21,76,000*) which will be paid on 8th January, 1984 to ordinary shareholders on the register as at December, 1983. (*1982 interim dividend).

The Chairman, Sir Reginald Smith, comments:

For the six months ended 30th June 1983, unaudited profits before tax were £8.2 million compared with £6.2 million in the six months to the end of June 1982. The directors have declared an interim dividend of 0.85p per share which in effect is an increase of 10% compared to the previous interim dividend because of the increase in the issued share capital.

In the United Kingdom good progress has been made by Wimpey Homes with the legal completion of the sale of 4,200 houses achieved in the six months to the end of June compared to 3,600 in the same

period in 1982. Progress has also been made in construction, waste management and building materials.

In North America investments in housing and land in the USA are making a worthwhile contribution and firm action is being taken in Canada to mitigate the difficult market conditions. Elsewhere important contracts have been won and the Group's order book is higher than at this time last year.

George Wimpey PLC
Hammersmith Grove,
London W6 2EN.

Molins warns of lower profits

THE DIRECTORS of Molins warn that pre-tax profits for the full year will not be below the £5.3m reported for 1982 and not "comparable" as was projected at the last annual meeting.

However, in spite of this they point out that liquidity and gearing will remain healthy.

Although sales for the first half of 1983 expanded from a reported £20.3m to £25.4m, taxable profits were unchanged at £3.3m after once again interest charges of £0.4m.

The tobacco machinery division pushed its share of profits up from £3.1m to £5.4m but losses from corrugated board machinery rose by £0.3m to £1.1m.

Present indications are that tobacco machinery profits for the full year will be somewhat lower than last year. The directors say this is due to continuing unsatisfactory trading situation at Duxford and to local economic conditions affecting customers of certain of the overseas operations.

They also expect that price competition for new machinery orders will continue materially to affect Langston margins, therefore its results, for the full year.

First half earnings emerged at 9.6p per 25p share after tax of 50.4p (50.7p) and minorities last time of 20.1m. Attributable profits amounted to £3.1m, against £2.4m.

The interim dividend is the same at 2.7p net—a final of 5.7p was paid in 1982.

Tobacco machinery profits from the UK operations in aggregate showed an increase over last year.

Profits from overseas tobacco operations in aggregate were however lower than last year. The directors say the tobacco industry in many countries is being increasingly affected by the effect on their customers of increased tax on cigarettes and the shortage of currency in many developing countries.

They add that this is likely to influence purchases of new machinery in the short to medium term, and to intensify the existing fierce competition for sales of new machinery.

In the corrugated board machinery division there has been some improvement in market demand generally over the last year, despite a general decline in the UK, world consumption of tobacco products is expected to grow around 5% per year and this should eventually filter through to demand for Molins' machinery.

Yesterday the shares dropped 3p to 115p giving a prospective p/e ratio of over 9 fully taxed.

The interim report reveals that the impact of these factors on Langston U.S.A. coincided with the fall in oil prices, which had a significant impact on the growth of the U.S. dollar, was severe. Although this was mitigated in part by improvements in operating efficiency, including those resulting from the consolidation of its operations on one site at Cherry Hill, Langston incurred a "substantial loss" in the first half.

The results for the corrugated board machinery business in the UK, centred around Birmingam and for the year to the end of June 1982, 52 per cent of UK sales were to Marks and Spencer.

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The directors now say that the offer for sale raised £5m—proceeds were received after the year end and have had no effect on the figures.

Turnover grew from £59.7m to £70.2m—the company has 17 manufacturing facilities in the UK, centred around Birmingam and for the year to the end of June 1982, 52 per cent of UK sales were to Marks and Spencer.

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Dresdner issue links
floating-rate and warrant
formulae, Page 36

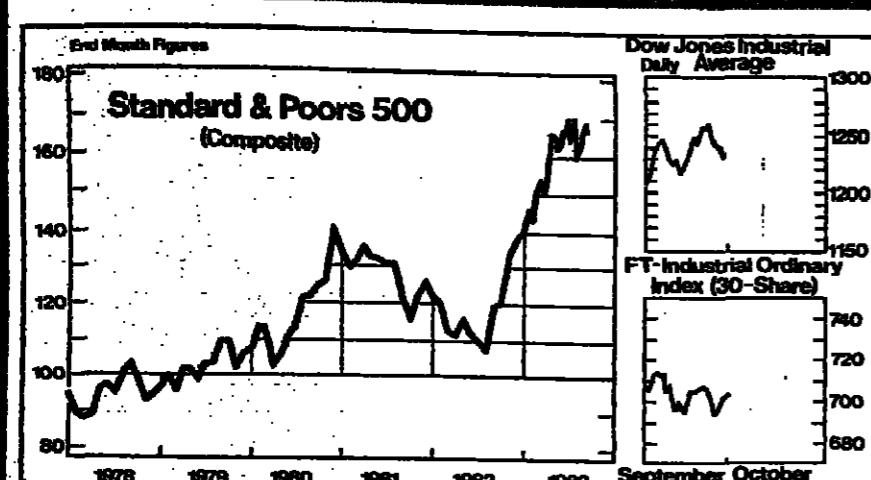
NEW YORK STOCK EXCHANGE 26-28
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CURRENCIES 35
INTERNATIONAL CAPITAL MARKETS 36

SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday October 4 1983

KEY MARKET MONITORS



STOCK MARKET INDICES

	Oct 5	Previous	Year ago
NYC Industrials	1231.30	1233.13	907.74
NYC Transport	560.78	561.58	365.08
NYC Utilities	135.12	134.68	115.91
S&P Composite	165.80	165.07	121.97

	FT Ind Ord	702.5	570.6
FT-A All-share	444.81	445.53	355.82
FT-A 500	482.27	483.04	396.67
FT-A Ind	435.27	434.83	372.51
FT Gold mines	541.5	581.3	361.3
FT Govt seics	81.81	81.88	78.78

	Nikkei-Dow	9460.10	9402.59	6849.78
Tokyo SE	682.00	691.08	520.82	

	All Ord.	closed	718.0	500.4
Metals & Mins.	closed	588.2	391.0	

	Credit Alden	55.10	55.07	47.98
Belgian SE	130.97	131.69	100.33	

	Toronto	2465.1	2469.5	1591.0
Composite	441.81	445.5	289.58	

	Montreal	441.81	445.5	289.58
Industrials-Combined	419.39	425.54	274.53	

	Copenhagen SE	196.20	196.93	90.53

	CAC Gen	139.5	139.7	98.6
Ind. Tendance	149.7	149.4	114.2	

	FAZ-Alden	317.26	316.21	234.54
Commerzbank	940.50	938.0	708.2	

	Hong Kong	715.01	758.33	552.06

	Banka Comm.	193.51	195.43	162.97

	ANP-CBS Gen	142.1	143.1	87.3
ANP-CBS Ind	116.0	115.6	68.7	

	Norway	205.22	207.97	101.52

	Singapore	962.84	979.35	658.97

	SOUTH AFRICA	745.1	808.9	658.2
Gold	539.1	551.4	585.9	

	Spain	closed	116.82	98.72

	Sweden	1439.30	1455.55	666.28

	SWITZERLAND	334.3	334.7	252.8
Swiss Bank Ind				

	WORLD	Sept 29	Prev	Yrago
Capital Int'l.	180.5	181.5	133.1	

	GOLD (per ounce)	Oct 3	Prev
London	\$381.62	\$408.075	

	Frankfurt	\$381.125	\$406.50
Zurich	\$381.50	\$407.50	

	Paris (fwdng)	\$384.20	\$406.79
Luxembourg (fwdng)	\$383.85	\$404.00	

	New York (Oct 5)	\$380.90	\$382.00
London	\$381.62	\$408.075	

London £1.60 per ounce above spot

WALL STREET

Unnerving memories of massacres

SENTIMENT appeared somewhat nervous on Wall Street as yesterday's trading session unfolded and although stock prices rallied from an early setback, investment support was lacking, writes Terry Byland in New York.

The major institutional investors appeared unsettled by the halting of foreign exchange sales in Argentina and by further indications of a break in gold and commodity prices on world and U.S. markets.

Bond markets trod water ahead of today's meeting of the Federal Reserve Board's Open Market Committee, although the consensus view in the market was that the Fed would probably leave policy unchanged for the present.

The stock market opened with widespread falls throughout the range, accompanied by gloom-riden murmurs of "another October massacre" - October has a murky history on Wall Street going all the way back to 1929. The market's nervousness also reflected the ending last week of the third fiscal quarter when stock prices often benefit from reshuffling of portfolios as fund managers brace themselves for the year end.

Stock prices quickly rallied from their early falls but the rest of the session proved somewhat erratic. Prices fell again in the

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Kidder, Peabody International Limited

International Investment Bankers

An affiliate of

Kidder, Peabody & Co. Incorporated

Founded 1865

New York • London • Paris • Geneva • Zurich • Hong Kong • Tokyo

Continued on Page 27

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 28

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 28

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend c-equidating dividend cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. f-dividend in Canadian funds subject to 15% non-residence tax. g-dividend declared after split-up or stock dividend. h-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. i-dividend declared or paid this year, an accumulative issue with dividends in arrears. m-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. PE-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. s/s-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. w-n bankruptcy or receivership or being reorganized under the Bankruptcy Act or securities assumed by such companies. w/w-when distributed. w/w-when issued. w/w-with warrants. x-ex-dividend or ex-rights. x/cx-ex-distribution. xw-without warrants. y-ex-coupon and sales in full. yd-yield.

Authorised Units—continued

Equity & Law Un Tst Ningra (a) (b) (c) Amherst Rd, High Wycombe, 0494 33377 Euro Tst Acc 59.5 68.3 — 1.48	Hexagon Services Ltd 4 Gt St Helens, London EC4P 3EP. 0708 45322	Schroder Mngt Services (Jersey) Ltd PO Box 195, St Helier, Jersey, 0534 27567	T-G Am \$25.60 T-G Mone \$21.54 T-G Eboard \$15.43 T-G Com \$19.90 T-G Mort \$19.54 T-G Oseas \$12.62 T-G Pacific \$2.00 T-G Wall St \$26.33
Robert Fleming & Co Ltd 3 Crosby Square, EC3A 8AN. 01-636 5859 Amherst Rd, 020-7486 2700 — 0.63	AustFrGw 110.5 116.4 — 1.61 BrewinGin 74.5 78.5 — 4.00 BrewinGin 74.5 124.5 — 0.8 CapGwthGd 115.7 124.5 — 0.9	Sterling \$14.1663 U.S. Dollar \$26.4783 D-Mark DM51.4066 Swiss Franc SF31.0485	T-G ... T-G ... T-G ... T-G ... T-G ... T-G ... T-G ...
Japanex 115.5 221.0 160.28 1.15	Lawson Fund Managers (a) (c) (g) 123 Charlotte St, Edinburgh, 031-225 6001 Challenger 40.5 46.5 — 1.9 Petway 14.2 15.2 — 1.80 Aust & Pac 9.6 10.2 — n.s. High Yield 19.8 21.5 — 10.4 Do Accum 20.8 22.5 — 10.4	J. Henry Schroder Wag & Co Ltd 120 Chesham, EC2. 01-382 6000 Natex T530 559.31 — 0.64 1.45 Target Trust Mngrs (Jersey) Ltd PO Box 195, St Helier, Jersey, 0534 27441 Mgd Cur Fd 96.3 101.5 +0.2 —	United Fund Managers Ltd 16-18 Queens Road Central, Hong Kong 5-2314 S&MlyT \$10.16 10.60 ...
More Amherst Rd, 020-7486 2700 +Fleming American Property Unit Trust. Latest issue price (15/8) US\$10.567. Units are issued on Feb 15, May, Aug, Nov. +Fleming Property Unit Trust. Latest issue price (24/6) £2.067. Units are issued on March 25, June 24. Sept 29 & Dec 25.	MGM Unit Managers Ltd 100-102 High St, Woking, 041 2250000		

Insurances—continued

Libany Life Assurance Co Ltd		0707-42311		Pension Funds					
Darkes Lane, Potters Bar.				UK Cash	102.5				
Fixed Int	108.5			107.7	+0.7				
Spec Scts	122.5			115.5	+0.3				
N America	113.0			108.0	+0.5				
FarEast	124.3			120.5	+0.7				
Managed	112.3			119.3	+0.1				
Comm Prop	100.5			105.6	+0.5				
Prop Real Est	100.5			105.6	+0.5				
Deposit	100.5			108.3	+0.2				
Capital unit prices available on request.									
London Life Linked Assn Ltd		100 Temple St, Bristol BS1 6EA		0872-3791					
1st Helens, 1 Undershaw, EC2	01-283 7500								
arAnUnitOct1	145.5			Equity	224.0				
arAnOct1	32.70			Fixed Int	165.0				
Series				Property	165.5				
Managed	122.1	128.5	+0.5	Small Cap	170.5				
NK Equity	132.0	130.0	+0.2	Mixed	151.5				
Small Equity	132.0	125.5	+0.5	Index Stk	108.2				
Investment	102.0	107.7	+0.5	International	113.6				
Invest In	107.7	111.3	+0.3	London Life Managed Funds Ltd	117.9				
Index Lk Gr	89.2	93.9	+0.3	Equity(P)	751.7				
Index In-Hand	98.0	104.0	+0.1	100% Int	167.3				
Intab	120.5	127.0		Property(P)	122.5				
Invest Int	138.3	145.7		Deposit(P)	121.5				
Property	140.5	147.9		Mixed(P)	152.1				
IntWest	181.6	191.2		Index Stk	114.8				
Moneywise Friendly Society									
90 Holderslur Rd, Bournemouth		01202 29567		48.2					
Moneywise Int									
Municipal Life Assurance Ltd		51.3		51.3					
99 Sandling Rd, Maidstone									
Equity Fd		95.0		6622 57933					
Managed Fd									
Premium Life Assurance Co Ltd		100.0		105.0					
Eastchester House, Haywards Heath									
Nat Securities 145.0									
01442 45277									

Offshore and Overseas—continued

Offshore and Overseas		Continued	
Actibonds Investment Fund SA			
37 Rue Notre Dame, Luxembourg. Tel 47971			
Actibonds — \$19.57			
Alliance Capital Management Int'l Inc			
62/63 Queen St. London EC4, 01-248 8861			
Alliance International Dollar Reserves			
Distribution Stmt 19-28 (9.00/1965)			
HealthCareSoc28 56.02	(9.00/- per		
TechnologySoc28 523.57			
Quasar Soc28 562.57			
Bamford Branch Guernsey Mgmt Ltd			
PO Box 71, St Peter Port, Guernsey.			
Tech & Comm 58.26	9.3		
Int'l Growth 577.32	10.77		
Brown Shipley St Co (Jersey) Ltd			
PO Box 583, St Helier, Jersey. 0534 74777			
Int'l Fund 56.77	16.27		
Int'l Currency 51.08	1.13		
Int'l Bond Inc 510.17	10.78		
Int'l Accs 510.17	10.78		
CAL Investments (IOM) Ltd			
16 St George St Douglas IOM. 0624 22231			
CAL CAC 85.1	89.6		
CAL Sust 51.4	+1.4		
CAL Sust 22.6	269.3		
CAL Gains 50.95	1.00		
CAL Copper —			
CAL Alarm 0.95	1.00		
Dealing days every Monday.			
CAL Investments (Bermuda) Ltd			
PO Box 10222, Hamilton, Bermuda.			
CAL CAC 510.23	510.23		
CAL CTR Fd 78.3	82.2		
Dealing days every Monday.			
Commodity Advisory Svcs (IOM) Ltd			
48 Athel St. Douglas IOM. 0624-20845			
Com&FFAC 51.68	87.15 - 3.49		
Com&FFD 83.68	87.15 - 3.49		
Next dealing date Oct 17.			
Citibank (CI) Ltd "Certificates"			
Channel Is Transatlantic Inv Funds Ltd			
Green St. St Helier.			
U.S. S Fund \$10.270	+ 0.002		
Sterling Fund \$5.139	+ 0.001		
SwFrancs 20.178	+ 0.011		
Yen Fund 72.000	+ 0.087		
Deutschmark Fd DM20.216	+ 0.002		
Managed Fund \$10.156	+ 0.043		
Dunbarton Fund			
PO Box 887, Grand Cayman.			
NAV \$13.60	—		
First Gold & Metals Trust PLC			
50 St James's St, London SW1.			
First Gold 9.21	—	01-499 4341	
Forbes Securities Management Co			
PO Box 887, Grand Cayman SW1.			
London Admrs 01-829 3013			
Gold Inc 59.52	10.04		
Gold App 7.76	8.18		
Dollar Inc 55.26	9.80		
Framlington Overseas Fund Mgmt Ltd			
PO Box 71, St Peter Port, Guernsey.			
O'sass&Gth 48.5	82.0		
Int'l Accs 522.9	79.7		
GME Inv Mgmt Ltd			
PO Box 102, St Helier, Jersey. 0534 27441			
ManCarrFd 510.16	—		
Grindley Henderson Mgmt Ltd			
Streets 414, St Helier, Jersey. 0534 74248			
Gold Fd 510.17	10.77		
Mod Acc 58.8522	10.3238		
Soc Fd 510.2247	—		
Soc Acc 510.1751	—		
U.S. S Fd \$20.4277	—		
U.S. S Acc \$20.3605	—		
DM9A DM50.3229	—		
DM9F SwF20.3223	—		
Yen Y5.056	—		
Jardine Fleming & Co Ltd			
16th Floor, Concourse Centre, Hong Kong.			
Carr & Sd 512.95	—	9.3	
(Accum) \$18.32	—	+ 0.35	
Astean \$10.06	—	+ 0.07	
(Accum) \$10.38	—	+ 0.07	
American 55.48	—	+ 0.14	
(Accum) 55.48	—	+ 0.14	
Mad Carr \$10.10	—	+ 0.02	9.50
(Accum) \$10.10	—	+ 0.02	9.50
Lazard Brothers & Co (Jersey) Ltd			
PO Box 108, St Helier, Jersey, C.I.			
JasBrFr \$14.38	15.70		1.00
D'Addario \$1.3300	1.4000		2.69
D'Addario 51.32	51.27		+ 0.16
Do Accum \$10.27	10.31		5.0
NamFd \$10.29	10.55		
Lloyd's Bank International, Geneva			
PO Box 438, 2111 Geneva 11 (Switzerland)			
L 1 Dollar 597.70	100.1		- 6.4
Sw Fr SF695.20	945.5		- 1.5
L 1 Franc SF1000.50	1100.5		- 5.4
L 1 Pacific SF1035.5	108.1		+ 0.4
Management International Ltd			
Prk of F-mads Bldes B-mads, 809-295-4000			
Bda IFBC \$16.36	16.53		
Bda IFBI \$11.48	11.60		
Prices on Sept 23. Next dealing Sept 30.			
Bda IFEC \$10.21	10.42		
Prices on Sept 28. Next dealing Oct 5.			
Manufacturers Hanover Geofunds			
PO Box 92, St Peter Port, Guernsey.			
LA Inc \$105.77	101.49		9.41
LT Accd 512.50	125.45		16.80
MT Inc \$111.50	117.4		12.20
MT Accd \$109.50	117.4		17.12
Geofund International Resources Ltd			
Sterling 55.000	—		
U.S. S \$10.137	—		
D-Mark DM20.134	—		
Sw Fr SF20.092	—		
Jap Yen 512.25	512.25		
Managed Fd \$10.123	—		
Marine Midland (CI) Ltd			
140 8th Ave NY 10015 USA. 212-540-1000			
Queens Hse, Don Rd, St Helier. 0534 71460			
Intercurrency \$1.038.89	—		
Next sub day Oct 13.			
Samuel Montagu London Agents			
114 Old Broad St, EC2			
Country Fund Ltd £1.00	01-626 3434		
Dollar class SD.5455	+ 0.007		
Sterling class £10.3278	+ 0.0022		
D-Mark class DM50.6512	+ 0.0051		
Dutch/Gulder Dflon 74.794	+ 0.14		
Yen 512.91	14.01		
MontGFRNF £116.28	10.80		
U.S. TIF 59.71	10.22 + 0.17		
Nat Westminster Jersey Fd Mngs Ltd			
23/25 Broad St, St Helier, Jersey.			
Country Bank Currency Fund Ltd £1.00	0534 70041		
Dollar class SD.5455	+ 0.007		
Sterling class £10.3278	+ 0.0022		
D-Mark class DM50.6512	+ 0.0051		
Dutch/Gulder Dflon 74.794	+ 0.14		
Yen 510.999.0028	+ 0.9235		
Norcap Fund Managers (Bermuda) Ltd			
Bank of Bermuda Building, Bermuda.			
Amer Tel 510.48	11.44		
Perpetual UT Managers (Jersey) Ltd			
PO Box 459, St Helier, Jersey. 0534 74517			
Offsh Grp £1.145	1.218		2.0
Rothschild Asset Management (CI)			
St Julian's Ct, St Peter Port, Guernsey.			
OC International Resources Ltd			
Re France SF883.52	+ 0.160		8.95
Canadian S CET.51.52	+ 0.040		8.47
U.S. S 510.137	+ 0.032		4.85
Dutch/Gulder Fl50.6525	+ 0.055		4.84
French Franc Fr165.500	+ 0.055		11.44
Italian Lire L57.473	+ 15.00		15.12
Jap Yen ¥6.321.83	+ 1.070		5.78
Singapore S S\$64.335	+ 0.015		8.08
£ Sterling £14.500	+ 0.002		8.83
Swiss Franc Swf146.078	+ 0.003		2.87
U.S. S \$25.705	+ 0.005		8.79
Daily dealings.			

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way that is realistic and enables you to compare diverse companies offering a kaleidoscope of products and services.

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isolation scale.

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No FT... no comment

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abby Unit Trst. Miners. (a) 1-3 St Paul's Churchyard EC4P 4DX 01-236 1833	Assets 152.7 164.6 3.45 Recovery 57.1 61.46 -0.3 5.10 Smaller Cos. 87.1 93.96 1.77 Inc. Min. St. 72.1 76.46 +0.2 4.30 UK Smelting 30.5 34.4 3.84	Duncan Lawrie Fin. Miners. (a) 1, Hobart Place, London SW1W 0DU. 01-245 9321 Growth 13.4 20.9 3.6 Income 133.9 156.4 -0.5 9.4 Oversights 70.0 75.3 -0.5 5.00	Henderson Administration (a) (b) (c) Premier UT Admin, 5 Ropergate Rd, Hull, Brf. 0277 21272
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Save & Prosper—continued

Europe (7)	130.2	130.2	0.0	0.2
Japan	130.2	213.3	13.9	0.0
Japan Smth. Cos. (7)	50.5	54.0	-0.8	0.0
S.E. Asia (7)	60.0	74.0	-1.5	1.37
U.S. (2)	231.2	248.6	-1.2	0.65
Commodity	163.5	175.9	-2.4	2.05
Energy	163.5	166.6	-1.1	0.0
Explorations Fund (7)	31.9	40.7	-0.9	2.25
Financial Sec.	143.4	155.0	-0.6	2.25
Info Technology (7)	93.5	105.0	-1.5	1.45
Small Cos. (7)	122.0	127.0	-0.1	3.16
Special Situations Fund	52.4	56.4	-0.1	7.36
Intl. Bond Fd.	121.1	127.5	-0.3	1.45
 Interest Income				
Interest income	125.5	277.1	0.0	7.17
Interest income	529.9	591.0	0.0	1.00
 II. Floating Rate Inv. Bank Accounts				
Deposits	1,000	1,000	0.0	9.40
"Prices at Sept. 26. Next sub day Oct. 12. 1993. Authorized U.T.-Bank Deposits."				
 Schrodier Unit Trust Managers Ltd.				
Enterprise House, Portsmouth,				
0705 827733				
American	101.5	110.0	-0.4	0.37
(Accum. Units)	102.1	111.5	-0.5	0.57
Asian	101.5	110.0	-0.5	0.37
(Accum. Units)	104.4	114.0	-0.6	1.36
Capital	272.9	265.0	-0.8	0.0
(Accum. Units)	264.7	294.2	-0.8	1.24
European	183.0	196.7	-0.7	1.55
(Accum. Units)	183.0	196.7	-0.7	1.55
General	221.0	241.6	-0.6	2.77
 Australian Securities				
(Accum. Units)	73.3	78.0	-0.2	0.44
Capital	210.0	224.0	-0.4	0.67
(Accum. Units)	213.8	227.0	-0.2	0.56
For Eastern	124.0	141.5	-0.5	1.35
(Accum. Units)	114.9	121.5	-0.2	0.65
Fin. & Prop.	128.0	128.0	0.0	0.2
(Accum. Units)	121.1	125.3	-0.1	0.37
Govt Capital Trust	104.2	108.0	-0.2	0.44
(Accum. Units)	108.0	112.2	-0.2	0.31
Govt Income	124.0	124.0	0.0	0.0
(Accum. Units)	120.0	124.0	-0.1	0.33
High Yield	129.2	134.0	-0.2	0.48
(Accum. Units)	125.1	130.3	-0.2	0.39
Income	124.0	124.0	0.0	0.0
(Accum. Units)	133.8	137.2	-0.2	0.29
Int. Errs.	106.6	106.6	0.0	0.0
(Accum. Units)	105.4	105.4	0.0	0.0
Japan Growth + Acc.	159.9	164.1	-0.1	0.24
(Accum. Units)	200.0	210.0	-0.1	0.51
Japan Income	127.8	130.0	-0.2	0.14
(Accum. Units)	126.1	128.0	-0.1	0.16
Mid Amer. Cos.	112.7	117.3	-0.6	0.56
(Accum. Units)	112.7	117.3	-0.6	0.56
Pref	97.0	104.0	-0.8	0.29
(Accum. Units)	102.8	118.2	-0.4	0.54
Sci. Cos.	225.2	232.2	-0.7	0.34
(Accum. Units)	212.3	218.0	-0.3	0.28
Small Cos.	112.3	120.0	-0.1	0.73
(Accum. Units)	101.9	102.0	0.1	0.22
Special Sits	59.8	64.9	-0.1	0.72
International Growth	157.0	162.0	-0.1	0.33
(Accum. Units)	157.0	162.0	-0.1	0.33
Tyndall & Co. Deposit Funds				
Tyndall & Co. Fund				0.22

•05 0.95
18, Castlemead Road, Bristol
Australian Securities, 173.3 78

1-2	8.21	Australian Securities	73.3	78.9	•••••	141.6
1-3	8.45	Accum. Units	73.7	78.9	•••••	141.6
1-3	1.37	Capital	210.0	224.0	•••••	438.0
1-3	1.37	(Accum. Units)	117.5	127.0	•••••	254.0
1-4	2.05	Capital	173.8	180.0	•••••	353.8
1-4	2.05	(Accum. Units)	342.0	354.0	•••••	696.0
1-4	2.04	Far Eastern	114.0	121.0	•••••	235.0
1-4	2.04	(Accum. Units)	119.8	128.0	•••••	257.8
1-4	2.05	Fin. & Prop.	28.9	31.0	•••••	61.9
1-4	2.05	(Accum. Units)	42.1	45.3	•••••	87.7
1-4	3.16	Gilt Capital Trust	304.2	108.0	•••••	78.0
1-4	3.16	(Accum. Units)	108.0	112.0	•••••	220.0
1-4	1.83	Gilt Income	106.0	110.0	•••••	216.0
1-4	1.83	(Accum. Units)	106.0	110.0	•••••	216.0
1-4	1.83	High Yield	56.0	12.0	•••••	88.0
1-4	1.83	(Accum. Units)	56.1	59.0	•••••	118.1
1-4	1.83	Income	124.0	132.0	•••••	256.0
1-4	1.83	(Accum. Units)	333.8	357.2	•••••	710.0
Oct 12	9.40	Int. Err.	58.6	106.0	•••••	164.6
Oct 12	9.40	(Accum. Units)	135.4	165.0	•••••	300.4
1-4	1.83	Japan Growth - Acc.	10.9	84.1	•••••	95.0
1-4	1.83	Natural Resources	190.0	210.0	•••••	400.0
1-4	1.83	(Accum. Units)	172.8	204.0	•••••	376.8
1-4	0.37	North Amer. Grid	106.1	113.0	•••••	219.1
1-4	0.37	(Accum. Units)	112.7	127.0	•••••	249.7
1-4	0.37	Pref.	47.40	104.0	•••••	151.40
1-4	0.37	(Accum. Units)	202.8	218.0	•••••	420.8
1-4	1.34	Scot. Inc.	222.2	242.0	•••••	464.2
1-4	1.34	Scot. Cos.	112.3	120.0	•••••	232.3
1-4	1.34	(Accum. Units)	141.9	152.0	•••••	303.9
1-4	1.26	Special Sits	22.8	45.0	•••••	122.8
1-4	1.26	(Accum. Units)	22.8	45.0	•••••	122.8
1-4	1.55	Technology Growth	37.7	62.0	•••••	109.7
1-4	1.55	(Accum. Units)	37.7	62.0	•••••	109.7
1-4	2.77	Temple & Co. - Growth Fund	1.0	1.0	•••••	2.0

INSURANCES

INSURANCES		AA Friendly Society	
31.225 2552	4.18	Investment Mngt. M & G Inv Mngt. Ltd	0222 35542
0.6 0.0	4.18	PO Box 93, Cardiff CF1 4NW.	
bd.(a)		AA Friendly Sy Assd. I	57.8
31.226 3271	1.07	13 St. Paul's Churchyard, EC4P 4QX. 01-268 9111	
0.4 0.0		Property Fund.	217.2
0.9 0.0	1.39	Equity Fund	27.9
0.9 0.0	1.39	Property Acc.	266.3
0.9 0.0	6.12	Equity Acc.	69.3
0.4 0.0	6.12	Corporate Fund	100.8
0.4 0.0	1.38	Money Fund	100.8
		Convertible Fund	104.1
		Prop. Fd. Ser. 4	210.9
		Equity Ser. 4	75.6
		Money Ser. 4	244.7
		Corporate Ser. 4	141.6
		Fixed Int. Fd. Acc.	147.8
		American Ser. 4	147.8
		High Inc. Ser. 4	153.9
		Investment Inv. Ser. 4	102.4
		Pensions: Property	100.8
		Pensions: Security	100.8
		Pensions: Managed	100.8
		Pensions: Security	100.8
		Pensions: Fixed Inv.	100.8
		Pensions: Indexed Inv.	100.8
		Co. Ltd.	
		Albany Life Assurance	
		3, Darley Lane, Potters Bar	0707-42111
		Equity Fd. Acc.	405.3
		Fixed Int. Fd. Acc.	237.4
		Intl. Money Fd. Acc.	158.7
		Intl. Inv. Fd. Acc.	202.3
		Intl. Fund	111.1
		Intl. Assured Fd. Acc.	114.8
		Prop. Fd. Acc.	125.4
		Mgt Inv. Acc.	224.1
		For Pensions, not above	
		Money Fd. Inv.	
		Stock Exchange Dealings, Park St.	
		Gresham Unit Assurance Ltd.	
		62, Prince of Wales Rd., E. C. 2	0202 767 5555
		Managed Fd.	270.8
		Money Fd.	242.8
		Equity Fd.	213.3
		Fixed Int. Fd.	171.1
		Property Fd.	121.4
		Managed Peer Fd.	208.4
		Equity Peer Fd.	186.9
		Fixed Peer Fd.	144.1
		High Yield Peer Fd.	127.2
		Money Peer Fd.	170.1
		Property Peer Fd.	126.9
		Gresham Financial	
		American & Cen. Fd.	205.3
		Income Fd.	186.6
		Int'l Growth Fd.	207.4
		Capital Fund	101.4
		Recovery Fund	104.3
		Barclays Life Assur. Co. Ltd.	
		225 Romford Rd., E7.	02-534 5544
		Barclaysbond	277.0
		Equity Accout	254.1
		Do. Instal	256.7
		Mid-Edged Accout	165.1
		Do. Instal	160.2
		International Accout	145.7
		Do. Instal	160.6
		Managed Accout	194.7
		Do. Instal	189.4
		Money Accout	169.2
		Do. Instal	169.2
		Property Accout	169.8
		Do. Instal	181.7
		America Accout	127.3
		Do. Instal	122.8
		Australia Accout	119.3
		Do. Instal	116.2
		Financial Accout	118.2
		Do. Instal	114.9
		9000 Accout	112.4
		Do. Instal	112.4
		Gruber Pac. Accout	108.2
		Do. Instal	103.3

COMMODITIES AND AGRICULTURE

London metal prices hit by wave of selling

BY JOHN EDWARDS, COMMODITIES EDITOR

METAL PRICES tumbled in London yesterday as gold fell through \$400 an ounce and copper slumped to the lowest point for nine months.

Higher grade cash copper dropped by \$25.75 to \$954.75 a tonne. The three month quotation closed \$36.3 lower at \$9,379.75 and moved lower, down in late after hours dealing.

There were heavy losses too for aluminium and nickel, and lead, zinc and tin were also easier.

Free market platinum was

especially badly hit by the wave of selling that hit the markets. The sterling quotation fell by £10.50 to £261.90 an ounce. The dollar price fell by \$19.75 to \$388.50 an ounce, moving marginally below gold for the first time since establishing a premium on gold in May this year.

Silver prices also fell heavily. The London bullion spot quotation at the morning fixing was cut by \$2.9 to \$89.20 an ounce compared with \$85.9 less than a month ago.

The huge rise in silver stocks

held in the New York market (Comex) warehouses to record levels has put prices under increasing pressure and is believed to have helped trigger off the decline in gold and metals as well as base metals.

On the London gold futures market, which started a new day, turnover jumped to 1,501 lots of 100 ounces each. The London bullion spot gold price closed \$15.25 down at \$391.625 an ounce.

Copper also came under

extra selling pressure when it was announced that stocks held in the LME warehouses increased sharply last week by 11,760 tonnes to make total holdings 386,825 tonnes, the highest level for nearly five years. In the past nine weeks copper stocks in the LME warehouses have risen by over 11,000 tonnes and they have also increased sharply in New York.

Lead stocks added another 3,000 tonnes to a record total of 218,125 tonnes. Nickel stocks

went up by 1,374 to 25,938 tonnes and LME silver holdings by 170,000 to 37,690,000 ozs. The decline in aluminium stocks continued with a drop of 2,800 to 246,525 tonnes, but prices continued to be undermined by the fall in copper.

Zinc stocks fell by 550 to 112,525 tonnes and prices were held up by trade support at the lower levels. Continued buffer stock support buying held tin prices up too; warehouse stocks of tin declined by 415 to 42,395 tonnes.

Jute goods held up by strike in Calcutta

BY FINANCIAL TIMES STAFF

EXPORTS of over 20,000 tonnes of jute goods have been held up in Calcutta since August 12 by a strike among barge operators, the Press Trust of India news agency reported, quoting shipping sources in Calcutta.

The government, with most at stake — Denmark, the UK, The Netherlands, Belgium and France — are fighting for maximum shares under pressure from national fisherman's organisations who are ready to cry "betrayal" at any possible move to compromise.

Scottish fishermen have claimed that the British Government's inability to reach what they regard as a fair share of the herring catch calls into question the common fisheries policy which was agreed after years of difficulty last January.

This established national shares of the seven most valuable species, but on the basis of scientific statistics for a total allowable catch which were fixed in 1982.

The herring row has blocked any attempt to settle national shares of the possible 1983 catch, and if it continues the

Fresh talks start on herring share-out

BY JOHN WYLES IN LUXEMBOURG

FISHERMEN ministers of the European Community were setting in for long hours of negotiation last night in their fourth attempt since June to agree on a share-out of the North Sea herring catch.

The governments with most at stake — Denmark, the UK, The Netherlands, Belgium and France — are fighting for maximum shares under pressure from national fisherman's organisations who are ready to cry "betrayal" at any possible move to compromise.

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Britain urged to produce more home-grown timber

BRITAIN SHOULD grow more timber to cut its rising import bill of more than \$3.5bn a year, according to a study by an overseas panel of timber experts.

The Timber Commission of the United Nations Economic Commission for Europe said after a tour of the UK: "The committee wants to see planting increased on a worldwide scale and believes it is essential for major importing countries, particularly the UK, to grow more of their own timber, which would also bring social, economic and employ-

ment benefits."

Mr Ronnie Williams, chief executive of Timber Growers United Kingdom Limited, said Britain had one of the lowest proportions of land under timber in Europe and supplied only 8 per cent of its national needs.

"Yet with our climate and soil conditions, coupled with the skill and expertise of British foresters, we achieve a growth rate which is double that of Scandinavia and the USSR."

PRICE CHANGES

BRITISH COMMODITY MARKETS

In tonnes unless stated otherwise	Oct. 3 1983	+ or -	Month ago	Oct. 3 1982	+ or -	Month ago
Metal	1,020	-	2,100	1,020	-	2,100
Free Mint	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Copper	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
5 & 10% grade	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Cash/Cathode	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
5 months	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Gold troy oz.	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Lead	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
8 months	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Nickel	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Free Mint	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Palladium	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Platinum	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Gold troy oz.	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Silver troy oz.	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Tin cash	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
3 month	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Tungsten	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Wolfram 2.04 lb	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
2.04 Cash	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
3 months	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060
Turner	1,020/1,060	-/+	2,100/2,060	1,020/1,060	-/+	2,100/2,060

BASE METALS

BASE METALS receded sharply to fall in previous metal prices yesterday, with sizeable declines in prices on the London Metal Exchange. The comparative weakness of sterling and higher New York prices. The January quotation in London closed \$7.5 up to \$1,824 a tonne — the highest level since March. Traders claimed there was still a shortage of immediately available Robusta coffee and this continued to put pressure on the spot month and nearby positions in particular.

There was little reaction to the terms of the new International Coffee Agreement, finally completed after all-night negotiations on Friday.

The rise in the global quota of 56.2m bags (of 60 kg each) for 1983-84 — 1m bags above 1982-83 — was in line with market expectations; so the decision to leave the agreement's price range unchanged at between 120-140 cents a lb.

The main delay in the negotiations came over the issue of strike control over sales to non-member countries. Further investigations are to be made into this question. The Inter-

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INTERNATIONAL CAPITAL MARKETS

Wankie Colliery Company Limited

(Incorporated in Zimbabwe)
The company's unaudited results for the six months ended 31st August 1983, with appropriate comparisons, were as follows:

	Six months ended 31.8.83	Six months ended 31.8.82	Year ended 28.2.83
SALES			
Coal	1 081 778	1 071 579	2 120 265
Coke	90 605	118 452	199 022
	ZSM	ZSM	ZSM
F.O.R. Sales Value:	24.9	24.9	46.5
Coal, coke and byproducts			
UNAUDITED FINANCIAL RESULTS			
Trading Profit	571	1 831	341
Interest	93	124	263
Exceptional item (stock adjustment)			907
Distributable Profit	664	1 955	2 011
Earnings per share	Cents 1.57	Cents 7.72	Cents 6.90
Dividends per share	—	3.00	5.84
Return on Capital Employed (as defined in Coal Price Agreement)	Per Cent 5.50	Per Cent 12.42	Per Cent 5.51
Annualised			

* NOTE: In accordance with the Coal Price Agreement, 2 per cent of the distributable profit must be set aside in capital reserves for coal investment.

Increased prices for coal and coke in the local market were anticipated from January 1983, but only became effective from 1st April and then fell short of the company's proposals. In addition, sales compared unfavourably with the same period last year. Coal sales (excluding those to Hwange Power Station) were down by 9 per cent to the Power Station. Sales increased from 76 000 tonnes to 158 000 tonnes but were well below expectations. Local coke sales were only 52 per cent of the previous level due mainly to difficulties in the ferro-alloy industry. In the export market there was a marginal increase in coal sales but coke sales, the principal market, were down by 11 per cent.

As a result of these lower sales the company's turnover remained at the same level as in the comparable period last year, namely Z\$24.9 million. With increasing costs, particularly those related to overburden removal and the price of stores, a distributable profit of only Z\$964 000 resulted compared with Z\$1 955 000 in the corresponding period last year.

In these circumstances the board has decided that no interim dividend should be declared.

Prospects for the second half of the year are more encouraging. Although no improvement in the level of local market sales is expected, the impact of increased prices agreed by government and effective 1st October, 1983, together with increased rates of fuel sales to the Hwange Power Station should have a marked effect on turnover and net revenue, provided costs of production can be contained.

The opencast expansion project is very nearly finished and will be completed well within the capital budget provided. However, budget savings will be seriously eroded by the fall in value of the Zimbabwe dollar against the U.S. dollar, in which currency the foreign funds necessary for the project were borrowed.

By Order of the Board
A.B. Wishart
For Secretaries

Office of the United Kingdom
Transfer Secretaries:
Charter Consolidated P.L.C.
P.O. Box 102
Charter House
Park Street
Ashford, Kent TN24 8EQ

4th October, 1983

Dresdner launches first FRN with warrants

BY MARY ANN SIEGHART IN LONDON

DRESDNER BANK has cashed in on the Eurodollar bond market's appetite both for floating rate notes and equity-linked issues by launching its first FRN with share warrants.

The ten-year, \$400m note pays 1/4 point over the mean of the London interbank bid and offered rate (LIBOR), and is priced at 105-100 for the stripped bond and 5 (or \$50) for the warrants. Dresdner itself is leading the deal, along with Morgan Guaranty.

Today, Salomon Brothers will launch a new type of warrant on behalf of its parent company, Phibro-Salomon. These warrants will enable their holder to buy or sell sterling at a fixed rate to the U.S. dollar for one year. There will be 100,000 call warrants - which give the holder the right to buy sterling - and 100,000 put warrants - which enable him to sell sterling.

Market reaction was mixed. The shortest tranche was popular, trading at a small 1/4 point discount. The other two were less successful, reflecting their long maturities. Straight Eurodollar bonds rarely have lives of more than ten years. Both traded outside their 1/4 point selling concessions at discounts of around 1/4 points.

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SECTION IV

FINANCIAL TIMES SURVEY

EGYPT

Mr Mubarak's sober presidential style has drawn international respect but his caution is holding back progress on the structural changes needed to improve the economy

Many economic challenges ahead

CONSISTENCY, CONTINUITY and caution are the three most obvious characteristics with which Hosni Mubarak has stamped his two-year presidency of Egypt. The nation around which war and peace in the Middle East revolved for 30 years has been led gently to the sidelines of Arab politics without apparent pangs of withdrawal or bouts of introspection.

The stormy excitements, both domestic and foreign provided by Gamal Abdel Nasser and Anwar Sadat, have given way to a calm that seems to have been welcomed by the populace but which may also be deceptively dangerous for a nation facing such deep-seated economic challenges.

Mr Mubarak's character matched the needs of Egypt after the assassination of Mr Sadat. Quiet, relatively unassuming yet firm, he made the transition to power with scarcely a false step. The fissures in Egyptian society which had been opened up by an increasingly despairing Mr Sadat in his final months were substantially closed.

Political detainees were released and their hands shaken by the new leader. The killers and plotters who cut down President Sadat were tried, executed or jailed. There was no witch-hunt among the armed forces or military intelligence for their failures on October 6, 1981. No coterie of Mubarak men appeared to take plum jobs. Most government ministers stayed in their posts. In short, no-one was made to

By Roger Matthews
Middle East Editor

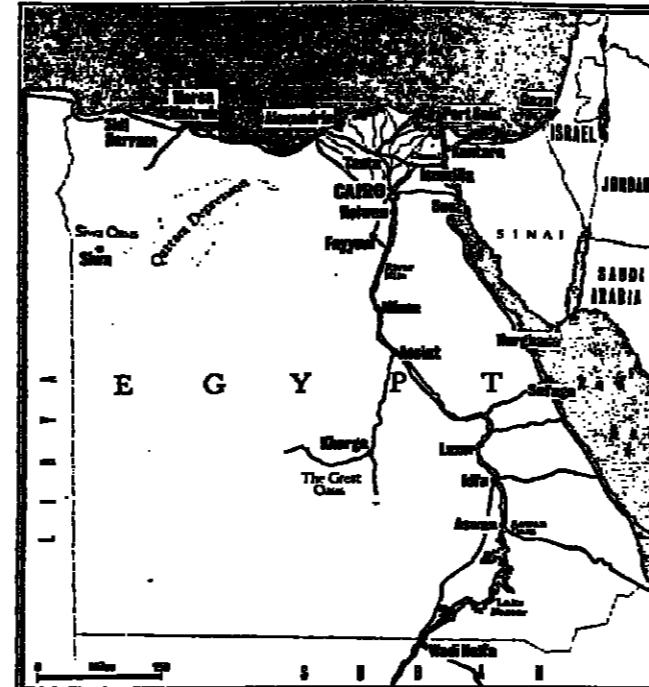
There has been an immense change in the style of Egypt's leadership, but the content has not varied greatly. Foreign policy has followed the direction set by Mr Sadat, yet its failures are not the problem that would have been had he lived.

Although Mr Mubarak lived through the Sadat's term for a comprehensive Middle East peace, it was not his policy. To watch Israel occupy southern Lebanon and tighten its grip on the West Bank and Gaza is not a daily reminder of sabotaged ambitions. Instead there is almost a sense of relief in almost all circles that these are not Egypt's immediate concerns.

The analysis of Middle East problems in the Foreign Ministry is still acute, the desire among some officials to be intimately involved still strong, but overlaying that is the knowledge that the political will for individual Egyptian initiatives is lacking.

While Egypt will listen to Arab emissaries and respond warmly to genuine efforts to achieve bilateral improvements in relations, it will not seek to force its back onto the centre stage of the Arab world. Equally it will not promote any improvement in the quality of the peace treaty with Israel until the Government there takes actions which Egypt considers helpful to the cause of peace.

Mr Mubarak undoubtedly values Egypt's ties with the U.S. and the \$2bn a year and more received in grants, loans and military credits. But here, too, there are strict limits on the political level of co-operation.



BASIC STATISTICS

Area: 1.0m sq km	Imports: (1982) £26.3bn
Population: 43.47m	BALANCE OF PAYMENTS
GDP: (1982) £22.2bn	Trade: (1981) U.S.\$3.9bn
Per capita: £3505	Current account: (1981) U.S.\$2.1bn
Inflation rate: 13.5 per cent, (February 1983)	Tourism income: U.S.\$1bn (1982 estimate)
TRADE	
Exports: (1982) £62.15bn	

The U.S. suggestion that it might assist in the building of a base on the Red Sea for the use of its Rapid Deployment Force was firmly rebuffed.

Egypt will build it, eventually, and will retain full control over it. The RDF may use it, if Egypt believes U.S. military intervention in the region is required. Mr Sadat, say Egyptian officials, would have said the same.

Perhaps, looking through Cairo newspapers two years after Mr Sadat was killed, it is not surprising that such continuity can be so accurately claimed. Many of the prominent names are the same, both in government and in the favoured world of semi-official commerce.

The trial, imprisonment and subsequent release of Esmat Sadat, the late President's brother, on charges of corruption caused momentary flutterings among those who became richest, fastest in the past few years. But the tip of the iceberg is still all that can be seen

publicly. Like the road to democracy in Egypt, the unearthing of ill-gotten gains could, once embarked upon, develop undesirable dimensions.

Hence Mr Mubarak's caution.

He would undoubtedly like public service to be an end in itself, as it is for him. In the same way, he would welcome a responsive and responsible political pluralism which could assist in bringing home to the population his message that there are no miracle cures for Egypt's economic ills. However, he remains surrounded by men of even greater caution who believed they learned their lessons in democratic experiments during the Sadat years.

The opposition press has regained a degree of freedom scarcely found elsewhere in the Arab world, but the Government looks likely to set conditions for next year's elections to the National Assembly which will assure the ruling National Democratic Party of its continued dominance.

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The old liberal nationalists of the Neo-Wafd Party have popped their heads up over the parapet again, but although they certainly will not give a chance to prove their boast that they would attract a mass following in any half-way fair election.

There are those, including former Sadat ministers, who believe that greater political involvement for the mass of Egyptians is the only way forward. But they suspect that, like Mr Mubarak's brains trust on economic reform last year, no amount of theoretical argument will dent the massive conservatism of the men closest to the Presidency.

However while they cling to the status quo, Egypt cannot

and his willingness to speak on subjects not directly related to military matters took on the air of a political campaign.

Although his enthusiasm appears to have been refined in somewhat in recent months, he is thought to be the driving force behind the Egyptian Army's ever greater involvement in activities outside normal military scope.

The peace-time army can now be found laying telephone lines in Cairo, running farms, purchasing egg-packaging plants from Britain, selling off land for commercial enterprises and trading vigorously with countries in need of second-hand Soviet weaponry. Meanwhile, Field Marshal Abu Ghazala is to be found regularly in Washington demanding arms sales party with Israel.

The precise role of the Egyptian armed forces in peace time is another of those unanswered questions which surround Mr Mubarak's presidency and prompt accusations that he has unwittingly created a vacuum of ideology. He frankly admits that he does not have solutions to all Egypt's problems and sometimes frightens aides by repeating that he did not ask for the vice-presidency—thereby implying, of course, that he did not seek the presidency either.

Only when the real challenges emerge, either domestically or from abroad, will it be known just how much Mr Mubarak wants to be President of Egypt. At that point consistency, continuity and caution in the selection of a Vice-President, for which Field Marshal Abdel-Halim Abu Ghazala, the Defence Minister, would be the obvious candidate.

President Mubarak has yet to gather true popular affection, but neither does he appear to have acquired the fanatical hatred of the extremist fringe. The attitude within the Armed Forces appears to mirror that of the general public and Mr Mubarak has not been rushed into the selection of a Vice-President, for which Field Marshal Abu Ghazala, the Defence Minister, would be the obvious candidate. For a period earlier this year, the Field Marshal's frequent public appearances

NATIONAL BANK
OF EGYPT

N.B.E. is Egypt's oldest (established in June, 1898) and largest bank. It holds first place among the Egyptian banks on the list of top 500 international banks ranked according to: balance sheet total, realised surplus, and foreign trade financing.

The Bank undertakes all commercial banking services through 152 domestic branches, in addition to its London Branch which was re-opened on 9th December 1982, after an interval of 27 years, in the world's premier money market.

In June 1982 the Bank successfully launched in London a US\$40 million Floating Rate Serial Notes 1987 issue.

The Bank actively supports the economic "open door" policy through investments in projects approved under this policy. It thus has participations in 52 joint-ventures covering all fields of economic activity and capitalised at £.E.1,027 million, the Bank's Participation amounting to £.E.118 million.

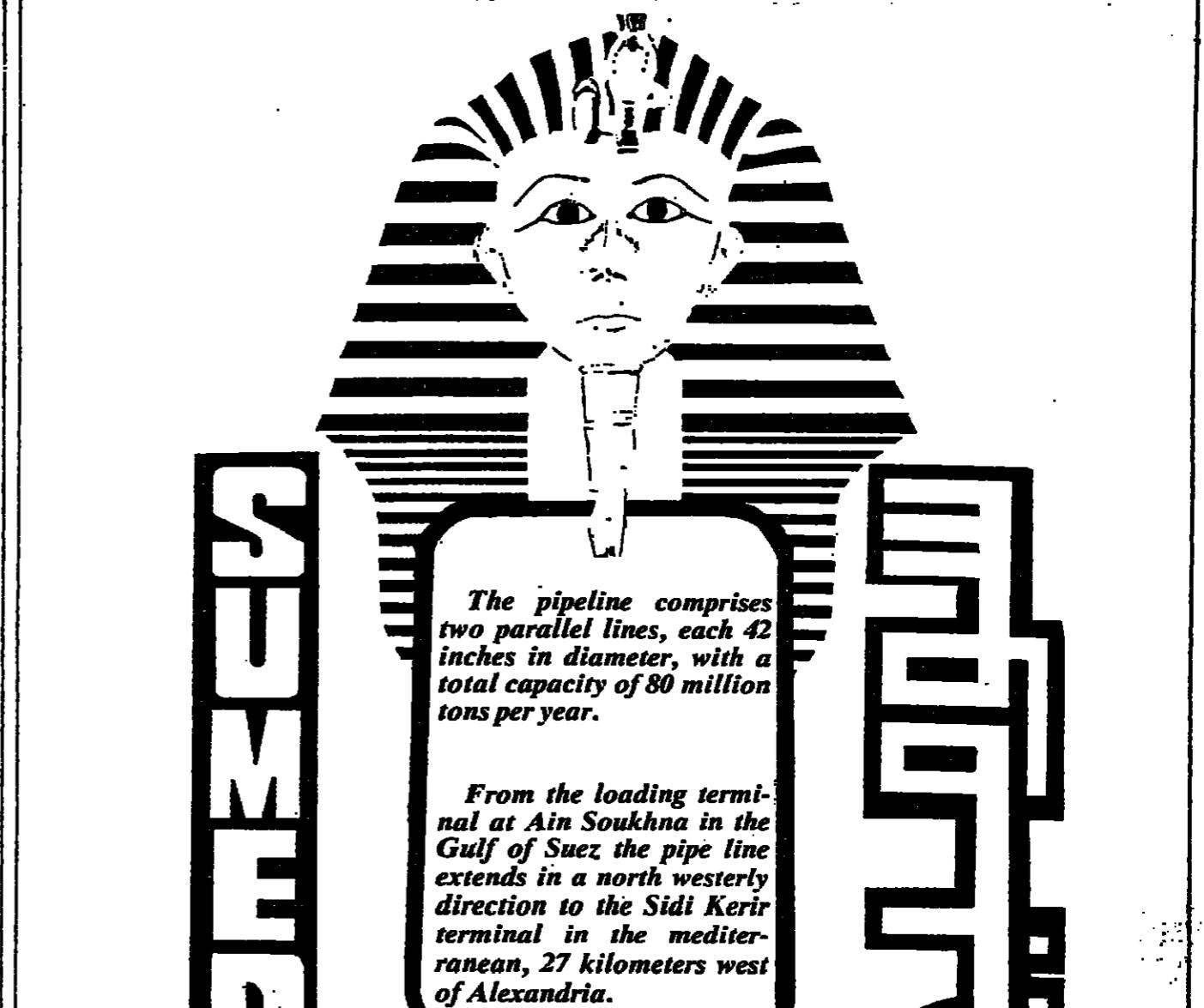
THE FOLLOWING ARE NBE'S FINANCIAL HIGHLIGHTS:

Year ending	30th June, 1981	30th June, 1982
	(£.E. million)	
Total Assets/Liabilities	3,375	4,006
Deposits	2,161	2,364
Capital and Reserves	85	108
Loans, Advances & Bills Discounted	1,437	1,782

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Economy

ROGER MATTHEWS

FOR THE PAST six years the Egyptian economy has performed consistently better than expectations. Since the payments crisis of early 1977, the strong domestic growth rate, already apparent at that time, has been underpinned by a rising trend in foreign currency earnings.

Throughout this period, marked by President Sadat's diplomatic revolution and culminating in his assassination, the imperative of maintaining domestic social stability precluded, in the Government's

mind, any attempt at longer-term structural reform. Two years after Mr Sadat's death the need still to tackle that issue remains the greatest qualification to optimism about the path of economic development.

The International Monetary Fund suggested last year that the challenge of structural reform could not be avoided for very much longer and predicted that the slowdown in foreign exchange earnings would make it impossible to maintain the average 8.8 per cent real growth rate achieved annually since 1975.

A combination of favourable trends in world commodity prices and a less steep fall than the predicted decline in the price of oil, however, allowed Egypt just about to cover its current account deficit in 1982. At the same time, while the pace of growth flattened somewhat, it has not made totally implausible the average target growth of just over 8 per cent as set out in the 1982-83/1986-87 Five-Year Plan.

The four main foreign currency earners all performed creditably over the past 12 months, although not matching the pace of growth shown two years ago. Oil production, which accounts for over a fifth of GDP, reached close to an average of 700,000 barrels a day in 1982. The softening of international demand reduced earnings to about \$2.4bn.

In the financial year beginning July 1, a further fall of about \$200m has been predicted, although, with prices again beginning to edge up slightly, the loss to the balance of trade could be somewhat smaller. Of greater concern to the authorities is the still alarming upward trend in domestic consumption.

Low petrol price

In the absence of further significant discoveries, the expectation of present trends shows that domestic consumption will rise to the level of production early in the next decade, leaving Egypt without oil for export. Several other measures have been taken to modify this trend, but even after recent increases the price of Egyptian petrol on the local market remains absurdly low by world standards. Certainly without more emphatic action the percentage annual rate of increase in domestic consumption will remain in double figures.

To balance the expected shortfall in oil revenues, Egyptian officials are predicting a stronger growth in remittances sent by workers abroad. A relaxation in Egypt's needlessly complex foreign exchange regulations

allowing for remittances to be converted at the more advantageous free market rate is reported to have led to a sharp increase in transfers.

Current estimates suggest that in full year this may be worth as much as \$80m, leading to predictions that remittances could be worth close to \$3bn in the present financial year. Despite the immense difficulty of accurately charting these flows, officials say there is no evidence yet that they are being affected by the budget cutbacks in the main Gulf oil-producing countries where the majority of Egyptian expatriates workers are employed.

Canal earnings up

Since Canal earnings are mainly edging slowly up towards the \$1bn mark, they might just reach this figure by the end of the financial year despite the unfavourable trend in world trade and the very slow recovery in demand for oil.

Tourism appears to be on an earnings plateau at around \$700m a year and remains highly vulnerable to political developments in neighbouring states. The only other foreign currency earner of note is cotton, which has been at \$300-350m a year.

The impact of the slowing rate of growth in Egypt's foreign currency earnings on the overall balance of payments was lessened by a parallel reduction in import growth. Whereas imports were being snaked in at an annual rate of increase of over 20 per cent in the three years before 1981, during last year they rose by only just over 6 per cent.

This was in part good fortune, due to lower world commodity prices, but it also reflected President Mubarak's decision to impose restrictions on the import of luxury consumer goods. However, such measures do little more than dent the longer term trend imposed by Egypt's fast growing population and the country's difficulty in producing anything like a matching increase in agricultural production.

Accordingly, Egypt will remain heavily dependent on continuing strong flows of capital investment, loans and aid, to ensure a precarious balance in its overall payments situation. The current account deficit climbed by just over 12 per cent to \$2.4bn in the last calendar year with reserves standing at about \$700m.

The recent agreement with the U.S. for greater flexibility in the disbursal of economic assistance should speed up the flow of American aid being provided at the rate of about \$1.1bn a year. Disbursements of U.S.

TOTAL PRODUCTION FOR THE FIVE YEAR PLAN

(1982-83 AND 1986-87 COMPARED WITH 1981-82)

	(Constant prices of 1981-82 and in £m)		
	Expected	Planned	Structure %
1981-82	1982-83	1986-87	1981-82 1982-83 1986-87
Agriculture	5,465.5	5,610.0	5.6 5.2 5.6
Industry and mining	9,494.0	10,285.9	6.3 6.5 7.7
Oil and oil products	3,753.0	4,680.2	5.6 12.5 12.1
Electricity	2,023.3	2,268.8	9.1 11.0 11.1
Construction	2,160.6	2,315.5	7.9 6.3 6.3
Total commodity sectors	21,075.6	22,987.5	5.8 5.4 5.6
Transport, storage and communication	1,462.0	1,553.0	6.2 8.2 4.2
Suez Canal	714.5	742.5	3.9 5.3 2.1
Commerce	4,167.0	4,431.0	6.2 6.7 12.2
Finance	1,128.4	1,180.0	4.6 4.7 3.8
Insurance	85.3	92.3	2.6 7.4 0.2
Hotels and restaurants	506.4	520.0	4.0 5.1 1.5
Total product services sectors	8,057.6	8,518.8	5.7 6.6 7.5
House property	396.3	440.8	11.2 8.5 1.2
Public utilities	66.0	73.0	10.6 12.1 0.2
Individual and social services	1,032.5	1,183.0	4.9 7.2 3.0
Social insurance	36.0	38.0	5.2 7.7 0.1
Government services	3,562.0	3,857.7	8.3 8.6 10.4
Total social services sectors	5,982.5	6,513.5	6.3 8.0 14.9
Grand total	34,225.6	38,988.8	5.8 5.6 100.0

aid since 1975 are currently running some \$2.5bn behind commitment, although an important part of this sum is tied up in long-term projects.

There is therefore all too little room for manoeuvre if events outside Egypt's immediate control provide deterioration in the balance of payments. Medium and long-term aid is estimated at about \$17m with a debt-service ratio in the low 20s and probably climbing slowly.

By comparison with other developing countries this is a far from alarming position and Egypt has the capacity to borrow modestly on international markets. In the current mood prevailing internationally, the Egyptian Government is aware that it had little in the way of a safety net.

The Government's difficulties can also be witnessed in the persistent challenge it faces to keep the net budget deficit within manageable proportions.

The financial year which ended on June 30, the net deficit is estimated to have been close to 8 per cent of GNP or about \$1.75bn. As this is met by financing from the banking system it acts as a powerful spur to inflation, now again increasing after falling to an estimated 10 per cent in 1981.

Because of the severe distortions caused by the extensive subsidies provided on basic commodities, inflation rates vary according to individuals' spending patterns. The lowest paid are rightly the most heavily protected against rising prices but such is the political sensitivity to reform of the subsidies

system that abuses and inefficiency are allowed to pass almost unchecked.

Close to 14 per cent (\$2.4bn) of the budget is subsidised to direct benefit to basic commodities, while indirect subsidies in agriculture are present prices for petrol, oil products and electricity are estimated to be running at well over \$2.5bn a year.

The Government says that it is tackling these problems and that in real terms the subsidy bill will decline. Certainly there have been small increases in some prices, and other rises have been effected by quietly reducing weights, lowering quantities or through commodity substitution.

Main thrust

In the investment budget, the main thrust is towards the completion of existing projects and the diversion of funds from schemes which have become bogged down. In the year which ended on June 30, the Government had allotted some \$64.3bn for the public sector and officials claim a high level of disbursals.

Some 23 per cent of the year's investment total of \$65.6bn was undertaken by the private sector where confidence again seems to be improving after the doubts created by the Government's restrictions on luxury imports and fears that President Mubarak might have been considering a more thorough revision of Egypt's "open door" policy.

However, the main objective of Mr Mubarak's style has assisted in reversing the trend of steadily increasing expectations fostered by Mr Sadat and the leadership sets great store by the Five-Year Plan and its detailed application.

However, so far as can be judged, Mr Mubarak is not sufficiently alarmed by what he has heard of the country's structural economic weaknesses to initiate the sort of radical reforms advocated by international agencies. The memory of the January 1977 food price riots still rates highly in Egyptian economic thinking.

The Ministry of Industry is often depicted as manned exclusively by neo-Nasserists opposed to all joint ventures with the public sector and foreign investment altogether.

Officials there say they recognise that an investor is putting money into Egypt to make more, but they expect some transfer of technology in return for help in Egypt's social development.

Some businessmen report that the atmosphere is created by the trial for corruption of Esamat el Sadat, brother of the late President, who has slowed investment in Egypt. Ministers and senior officials strenuously deny that the anti-corruption campaign has affected honest business.

But in practice the uncertainty has created a reluctance to take decisions in certain areas, and some investors have been unwilling to take up their options on projects approved.

Efficiency is the name of the game

Investment

CHARLES RICHARDS

"BEFORE THE case for deciding on investment applications was one every 10 days. Now it is one a day." This according to Dr Wagih Shindy, Minister of Investment and International Co-operation, is evidence of the shake-up in the investment authority since he took office last September.

Efficiency is the name of the game," he says.

Certainly Dr Shindy has made some sweeping changes. He has restructured the investment authority by reducing the work force from 1,600 bureaucrats to 1,300, whom he drives hard. Most important, he has tried to speed the bureaucratic procedures faced by prospective investors.

Within weeks of taking office, he had taken four more steps to enact a new law, No. 159 of 1981, intended to give Egyptian investors similar benefits to those enjoyed by joint ventures set up under Egypt's foreign investment law No. 43 of 1974 with amendments contained in Law 32 of 1977.

Under the procedures set up under Law 159, applicants will have to wait a maximum of 60 days for a decision. If they have not received an answer within that period, they may consider their application successful.

A similar procedure has been adopted for Law 43 companies. A special committee has been formed of senior officials from the Ministry of Industry, Telecommunications Authority, Finance Ministry, Electricity Authority and other concerned agencies that meet once a week to discuss investment applications. It is hoped to take decisions on the spot and, on average, an application will be processed within four months.

The system was approved too recently to see whether it will work but one major investment project has now finally been agreed on and is going ahead. This is the \$20m General

Motor plant to produce a range of Isuzu light and medium trucks and buses.

The U.S. company has a 31 per cent stake and management control. Isuzu, in which GM has a 34 per cent share, has 20 per cent, Egyptian interests 33 per cent and Arab interests 16 per cent.

The inauguration follows seven long years of negotiations that illustrate the difficulties faced by both sides in making investment decisions.

General Motors had bureaucratic holdups and procedural delays on the Egyptian side. GM itself is in part to blame for its decision-making process, aggravated after final approval was given in April 1981, by the uncertainty over the political situation after the assassination of President Sadat that October.

GM's vacillation cost it its prime site at Tenth of Ramadan, the most developed of the new cities being built in the desert around Cairo. GM's plant will be in October 6 City, at present little more than a flat desert wilderness. Water and roads are installed, as are sewerage systems and telephones are installed. Other potential investors will be interested to see how quickly the promised infrastructure will be put in place.

Doubts have been expressed that when the 60-day limit lapses on decisions on a Law 159 company, the investor will indeed be able to go ahead as promised. It is the nature of the Egyptian bureaucratic paradigm that a paper without a seal will remain just that. Automatic approval of any project is unlikely.

More important are the customs, availability of foreign exchange for the import of raw materials and capital goods, and the policy of the Ministry of Industry that veto applications for investment without a formal customs authority, seen as close to a state within the state and requiring written instructions from the investment authority to allow it to go ahead duty-free under Law 43. Law 43 companies are permitted to import

all together, the investment authority raises them one by one, increasing the bureaucratic delays. Officials in the Ministry of Industry counter that too often when they receive application forms sent on by the investment authority that have been incorrectly or incompletely filled in.

The Ministry of Industry is often depicted as manned exclusively by neo-Nasserists opposed to all joint ventures with the public sector and foreign investment altogether.

Officials there say they recognise that an investor is putting money into Egypt to make more, but they expect some transfer of technology in return for help in Egypt's social development.

Some businessmen report that the atmosphere is created by the trial for corruption of Esamat el Sadat, brother of the late President, who has slowed investment in Egypt. Ministers and senior officials strenuously deny that the anti-corruption campaign has affected honest business.

But in practice the uncertainty has created a reluctance to take decisions in certain areas, and some investors have been unwilling to take up their options on projects approved.

Stones are legion of the

investment authority, seen as close

to a state within the state and

requiring written instructions

from the investment authority

to allow it to go ahead duty-free

under Law 43. Law 43 com-

panies are permitted to import

that rather than raise queries

about the investment authority

or the investment authority



البنك الوطني للتنمية
national bank for development NED

CAIRO — EGYPT
AND THE NATIONAL BANKS FOR
DEVELOPMENT IN THE GOVERNORATES *
CONSOLIDATED BALANCE SHEET
AS AT 31st DECEMBER, 1982

	in millions
	Egyptian pounds
ASSETS	
Cash and Banks	307.6
Loans and Advances	155.7
Investments	29.8
Other Debt Balances	13.9
Fixed Assets (after depreciation)	6.5
Total Assets (before contingent Liabilities)	513.5
Contingent accounts	246.8
Total	760.3
LIABILITIES	
Customers' current & deposit accounts	199.0
Due to Banks	220.1
Profits	12.2
Other credit balances and provisions	14.6
Total shareholders' equity	67.6
Total liabilities (before contingent Liabilities)	513.5
Contingent accounts	246.8
Total	760.3
NED's INVESTMENT BY SECTOR	
Food security sector (six companies)	
Housing and construction sector (two companies)	
Industrial sector (five companies)	
Agricultural sector (two companies)	
Service sector (four companies)	
Banking sector (sixteen banks)	

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Poised for next development phase

Suez Canal

DAVID LENNON

THE ELUSIVE target of \$1bn annual revenue from the Suez Canal will creep tantalisingly close this year. Last year income reached \$825m, and in the first third of 1983 daily income from dues was up 5.5 per cent.

As a key foreign currency earner the Suez Canal is of major importance for Egypt, but setting transit fees is a delicate task which requires careful calculations if they are not to scare off the big ships.

Though it is unique, the Suez Canal is not without rival routes. With so much of the world's merchant fleet in sailing, it often is more economical for big oil tankers to steam slowly back to the Middle East oil fields via the Cape route, thus avoiding Canal fees.

Dr Mashhour Ahmad Mashhour, the long-serving chairman of the Suez Canal Authority, also admits that the SUMED pipeline developed as a Canal bypass when the Canal was closed after the 1987 war, is another rival to his project. Additional competition comes from the trans-Siberia oil pipe-

line which will take three to four years to complete at a cost of \$750m in current dollar terms.

Dr Mashhour estimates that by 1988-90 there will be a balance in supply and demand in shipping, and that with the world tanker fleet more fully mobilised then the Canal would enjoy increased income. But given the up and down of the shipping, it will take considerable finesse to judge the right moment to begin this additional major investment.

The first canal was dug between the Mediterranean and the Red Sea in 1869 BC by Pharaoh Senusret III. He, and General Ferdinand de Lesseps, the builder of the modern Canal, would have difficulty believing the massive development which has taken place.

The 173 km long lifeline between Asia and Europe now has 12 times more capacity than when it opened in 1869 to the strains of Verdi's Aida written specially for the occasion. Eight successive improvement schemes have increased the Canal's cross section from the original 304 square metres to its present 3,600 square metres.

Phase two of the modern plan, if implemented, would increase the Canal in which his engineers are conducting tests to see

the cross section to a massive 5,200 square metres.

This year the daily average net tonnage has passed the 1m mark to reach 12m, a 2.4 per cent increase over 1981. The daily average dues collected is up 5.5 per cent to \$2.7m.

The toll fees are studied each year and adjusted accordingly to a range of criteria. The fees were at the median of two to 2.5 per cent this year, but in fact small ships paid 5 per cent more, while for ships above 150,000 tonnes the rate actually was reduced by as much as 1.2 per cent.

The aim of the sliding scale, according to Dr Farouk Abou Taleb of the SCA's Economic Unit, is to try to attract more big tankers to use the Canal.

At present 35 per cent of tonnage and 30 per cent of income comes from oil tankers, with 2.5 per cent of tonnage and 70 per cent of earnings coming from the cargo ships. Before the closure in 1987 the percentages were reversed.

Dr Ahmad Amar, Director of the Planning and Research Department, has a 110-metre long working model of the Canal in which his engineers are conducting tests to see

whether limited two-way traffic could be permitted on the Canal up to 72 ships per day, while this year the number using it has reached only about 63 a day. This is also one of the reasons for holding off on building additional by-passes to bring the day of two-way traffic closer.

The Suez Canal is the third largest source of foreign currency earnings for Egypt, but unlike oil and wool, revenues, it appears to be less subject to the variations which have afflicted the big two. Income has risen steadily each year.

Western economic recession and the troubles of the oil world have restrained the rate of income growth below that forecast by somewhat over-optimistic planners. But the net tonnage passing through, which was up by 50 per cent between 1978 and 1982, continues to increase and, even more important, the canal has almost doubled its income over the same period.

With its 15,000 employees, all of whom are Egyptian, the Suez Canal Authority and the waterway in its charge is a model of what can be done in Egypt when the will is sufficiently strong.

Better omens for vital oil revenues

Energy

DAVID LENNON

A MODEST 25-50 cents a barrel increase in the price of Egyptian crude oil in May brought new hope that the downward trend in prices had halted, and that the forecast slide in national oil revenues could be reversed within a couple of years.

As one of the largest producers of external earnings, oil is vital for Egypt's economic survival and the country needs every cent it can get. But the fall in world prices, plus ever-growing domestic demand, has meant that the record exports of \$2.7bn in 1981-82 will not be reached this year or next.

Dr Ahmad Hilal, the Minister of Petroleum, admits ruefully that earnings in the fiscal year 1982-83 will be \$245m down on the previous year's figure. This year, which began on July 1, the drop is expected to be about \$500m down from the 1981-82 figure.

One bright spot is the continued interest of international companies in searching for oil. The Gulf of Suez remains the main reservoir of Egyptian oil, containing about 30 per cent of reserves. Exploration in the Western Desert and the Nile Delta has yet to produce any dramatic finds.

Reserves growing

None the less, reserves are growing as new discoveries of modest size are made each year. Dr Hilal says that annual additions to reserves are greater than production. On average 6 per cent of reserves is produced from Egyptian oil fields. Up to last year, he says, annual additions to reserves have averaged 11 to 12 per cent of total reserves.

Oil production rose from 8.5 million tonnes ten years ago to a projected 36m in the fiscal year June 1983, according to Dr Hussein Abdallah, Senior Under-Secretary at the Ministry of Petroleum.

The official target is 50m tonnes, or 1bn barrels a day by mid-1985, though some foreign experts doubt that this is attainable.

Egypt is also paying increasing attention to natural gas as a source of energy. It first came on stream in 1975 with a production level of 33,000 tonnes which today has increased ten-fold with a target of 5m tonnes set for 1985.

In addition to the utilisation of natural gas produced in Abu Madi, Abu Qir and Abul Gharadik gas fields, a gas project is under construction to

recover all of Gulf of Suez associated gas and to transmit it to the Suez and Cairo industrial and domestic consumers. A special law was passed last year providing incentives to foreign oil companies to explore for natural gas as well as oil.

The past decade has also seen a major intensification of the search for oil. Since 1973 113 exploration agreements have been signed with nearly 50 international oil companies, according to Mr Ibrahim A. F. Radwan, general manager of petroleum agreements at the Egyptian General Petroleum Corporation. One of the most recent was with Esso which has committed itself to spending \$44m exploring a \$1,700 sq km area in the Eastern Desert.

More bidders

Awards were to be made this month for bids on five tenders for Suez Gulf marine exploration. Mr Radwan says that despite the current problems of the oil industry, there have been more bidders and at higher prices than for any previous tender.

One of the latest fields to come on stream is Ras Budran which is operated by Demineux of West Germany on behalf of the Suez Oil Company (Succo), which will initial production of 25,000-30,000 b/d is expected to rise to 40,000 b/d at a later date.

Nuclear eight

The country has plans to build eight nuclear power stations by the year 2000 when total projected demand for primary commercial energy is tentatively estimated at near 85m tons of oil equivalent. This will be nearly 34 times current consumption and is based on an annual average consumption growth of 7.5 per cent, which may be a somewhat optimistic figure, given the current 1.3 per cent rate.

The hope is that by the year 2000 some 38 per cent of electricity will be produced in eight nuclear plants with a total capacity of nearly 8,000 Mw. But the drop in oil revenues has meant that the hoped for funding from a special fund of monies set aside will not be as large as planned.

Even so, the Minister of Electricity and Energy says he is determined to move ahead with the plans for the first four stations at Al Daba, 160km west of Alexandria on the Mediterranean coast. Bids have been invited from companies in France, the U.S. and West Germany for two 1,000 Mw plants and these are being drawn along with the bids from a French consortium for two 950 Mw plants. Given the oil revenue problems that Egypt faces, the financing terms of these deals will be crucial.

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EGYPT V

Higher spending aims to keep armed forces happy

Defence

CHARLES RICHARDS

WHEN THE Finance Minister announced a 25 per cent increase in current expenditure in the 1983-84 draft budget for defence, he qualified his request by pointing to the positive contributions Egypt's peace-time armed forces are making to the country's development.

The Corps of Engineers and Signals build bridges, bakeries and drug factories, lay telephone cables and grow food. They also train civilians in construction skills.

The budget increase, from £1,742m to £2,133m is largely an accounting exercise. It pays the 320,000 men in the Army, 27,000 in the Air Force and 20,000 in Air Defence and 20,000 in the Navy. It does not go towards weapons procurement or repayment of military debt.

The armed forces are reluctant to be seen as parasites feeding off the people's goodwill. Hence the involvement in civil works. Laying telephone cables also earns contractors' fees for the Defence Ministry and teaches engineers' skills. And the civilian labour force is often lacking the available manpower.

Criticism avoided

There is a danger, however, that as the Army makes mistakes, as is inevitable, it will become the focus of criticism if it has successfully avoided by remaining apart from civil life.

At the same time the Government's legitimacy lies in its concession to the free officers who overthrew the monarchy in 1952. All Egypt's presidents—Nugib, Abdel Nasser, Sadat and now Mubarak—have been military men. The military establishment has said it wants no part in politics, but the Government is aware it governs only with the backing of the armed forces.

To keep the armed forces happy, its commanders are receiving a whole range of sophisticated weaponry, and its personnel obtain special privileges to maintain a reasonable standard of living.

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The Bank deals in both local and foreign currencies.

Authorized Capital
20 Million US Dollars
Paid Up Capital
15 Million US Dollars

Statement of Account as at 31/12/1982

(Million Dollars)

Liabilities

Current and Time Deposits 217
Due to Banks and Correspondents 120
Capital and Reserves 20

Assets

Loans and Advances 139
Cash and Due from Banks and Correspondents 225

Correspondents all over the world

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1113 Cornish El Nkrash
Tel: 753484 - 753492
Telex: 93033 Delta UN - 93319 Dib UN
P.O. Box 1159

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Borg El Seida Building, Alexandria
Tel: 21565/21566
Telex: 54580 Dib UN
P.O. Box 2460 Alexandria

Tanta Branch
12 Ahmed Maher St.
Tel: 4163
Telex: 54246 Dib UN
P.O. Box 200 Tanta

Menia Branch
Mahmoud Fahmy El Nkrash
P.O. Box 24 Menia
Tel: 300

Dokki Branch
22 Abd El Husein Rostom St.
Tel: 71475 - 71780

Suez Branch
2 Luxor St.
Tel: 3888



Field Marshal Abdel Kalim Abu Ghazala, Defence Minister and Commander-in-Chief

respectively, and Egypt's acquisition is thought to be either because they were very cheap or for possible resale.

North Korea, China, and Yugoslavia have all supplied spares for Soviet bloc weaponry.

The cost of rearming is enormous. Nearly \$5bn has been allocated under FMS. Although these credits have a 10-year grace period and are repayable over 30 years, interest rates are high—around 10 or 11 per cent.

Purchase delayed

Egypt's reluctance to borrow money commercially for arms purchases is believed to have held up the purchase of Oerlikon Skysuard low-level air defence system for two years.

The desire to shop around to get the best possible deal is one reason for Egypt to conclude a deal to buy 200 tanks from Romania, with a much lower unit cost than the U.S.-made M-60s.

The Romanian tanks—designated the TR-77, an upgraded version of the Soviet-built T-55—is not as sophisticated as the M-60-A3. But it was cheap, available, and Egyptian tank crews are familiar with it according to Egyptian military sources it provides the tank technology appropriate to Egypt's needs.

More significant are the political implications, since this is the first deal that Egypt has concluded with a Warsaw pact country since breaking with the Soviets in the seventies and allying itself more closely with Washington. It seems to be a signal that Egypt is keen to pursue, or be seen to be

pursuing a more balanced non-aligned foreign policy, steering between East and West.

The policy of diversification has its drawbacks, and Egypt has tended to place each egg in a different basket. The lack of standardisation is proving a logistical nightmare. This has led to Egypt wishing to sell its 35 Phantoms to Turkey, both to reduce the number of different aircraft it is flying and to pay for additional purchases of F-16s.

Inside airspace

The price and financing arrangements are believed to have held up the sale. Fourteen Phantoms were flown down from Cairo west to Aswan in February to co-ordinate with the Avro's early warning aircraft. President Reagan despatched to watch the Libyan troops build-up near the Sudanese border. Two Phantoms intercepted Libyan aircraft inside Egyptian airspace. The action is believed to have led the Egyptian Air Force to reassess their value—and to raise their price with Turkey.

Army officers, who have seen their status and standard of living rapidly eroded since their peak as heroes of the October 1973 war, receive special privileges. Flats are being built for officers. Mansions are sold to serving and retired officers for £25,000 against £27,000 for civilians.

The army is also pampered in other ways, with access to Material benefits alone can special shops and clubs.

not satisfy the armed forces which, like any other section of Egyptian society, have their share of Islamic militants and Nasserists.

Some would undoubtedly like Egyptian armed forces to play a larger regional role, although many are wary of repeating Nasser's disastrous adventure in the Yemen in the 1960s.

Egypt maintains close strategic ties with the U.S. Despite its reaffirmation of non-alignment joint military exercises with the U.S., code-named Brightstar, were held in August and September. Earlier training paid off with the incident in February with Libya.

But Egypt sensitive to the prospect of foreign occupation, decided to turn down an American offer to develop the Red Sea base at Ras Banas and do the work themselves. The offer to the U.S. stands to use facilities at the base as a staging post for the central command, formerly the rapid deployment force to go to the aid of Arab or Muslim Islamic countries that ask for it.

Second biggest export earner with \$1bn income

Arms Sales

CHARLES RICHARDS

EGYPT MADE \$1bn last year from the sale of arms and military equipment abroad, according to the Defence Minister. This made arms Egypt's second biggest export, topped only by oil but its importance as a source of finance for new weapons procurement is likely to be short-lived. Most was from cash sales to Iraq to replace material lost in its war with Iran.

Iraq bought ammunition and spare parts, much of it Egyptian made, for its Soviet-made weaponry, as well as Soviet-built T-54 tanks from Egypt's strategic reserve. Increasingly Iraq is said to be buying from the Soviets direct.

Egypt also exports to Sudan, Somalia, North Yemen and countries in Africa. Plans to establish a regional arms manufacturing industry to serve the Arab world received a setback when the Arab shareholders—Qatar, the United Arab Emirates and Saudi Arabia—pulled out of the Arab Organisation for Industrialisation after Egypt made peace with Israel.

Certain factories continue to operate. Arab British Dynamics, in which British Aerospace has a 30 per cent stake, makes Swingfire missiles mounted on jeeps assembled at the Arab American Vehicles (AAV) plant down the road. Some are said to have been sold to Sudan and Iraq.

Arab British Dynamics feel they will be well placed to build other missile systems

when Swingfire production ends in a couple of years. The Egyptians also say they have managed to manufacture, presumably through reverse engineering, the Soviet-designed Sam-7 portable anti-aircraft missile.

Egyptian infantrymen used this to devastate the Israeli Air Force in the 1973 war. If Egypt manages to produce it in sufficient quantities it could find valuable export markets.

Most ambitious and fanciful plans are for the manufacture of a jet fighter in Egypt. Contenders are the McDonnell Douglas F-16, the Mirage 2000 and the Northrop F-20 Tigershark. Egypt will have to balance the plane it requires for its own air force against the best offset production arrangements it can secure.

Technology transfer

In the \$1bn deal to buy 20 Mirage 2000 combat superiority aircraft is an agreement for six million man hours in Egypt. Alpha-Jet is assembled in Egypt, some parts are produced too. Egypt is looking increasingly for technology transfer and offset production as part of an arms purchase deal.

The Defence Minister has also said that Egypt will be ready to export its own locally-made plane by 1985. At present Egypt makes an armoured vehicle, the Waleed, used by para-military police, it also has the technology to produce tank radios, armour, engines and the gun. The main shortcoming appears to be the turret, but Egypt has signed a cooperation agreement with Romania to produce tanks and spare parts. A deal with Yugoslavia to co-produce spare parts for Eastern bloc equipment is also reported.



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ASSETS	£.E	LIABILITIES	£.E
Cash & Banks	1,298,564,000	Capital	20,000,000
Investments	190,791,000	Reserves & Provisions	61,819,000
Loans & Advances	2,315,921,000	Deposits	3,298,280,000
Other Assets	82,319,000	Other Liabilities	507,496,000
Total	3,887,595,000	Total	3,887,595,000

BANQUE MISR AFFILIATED BANKS

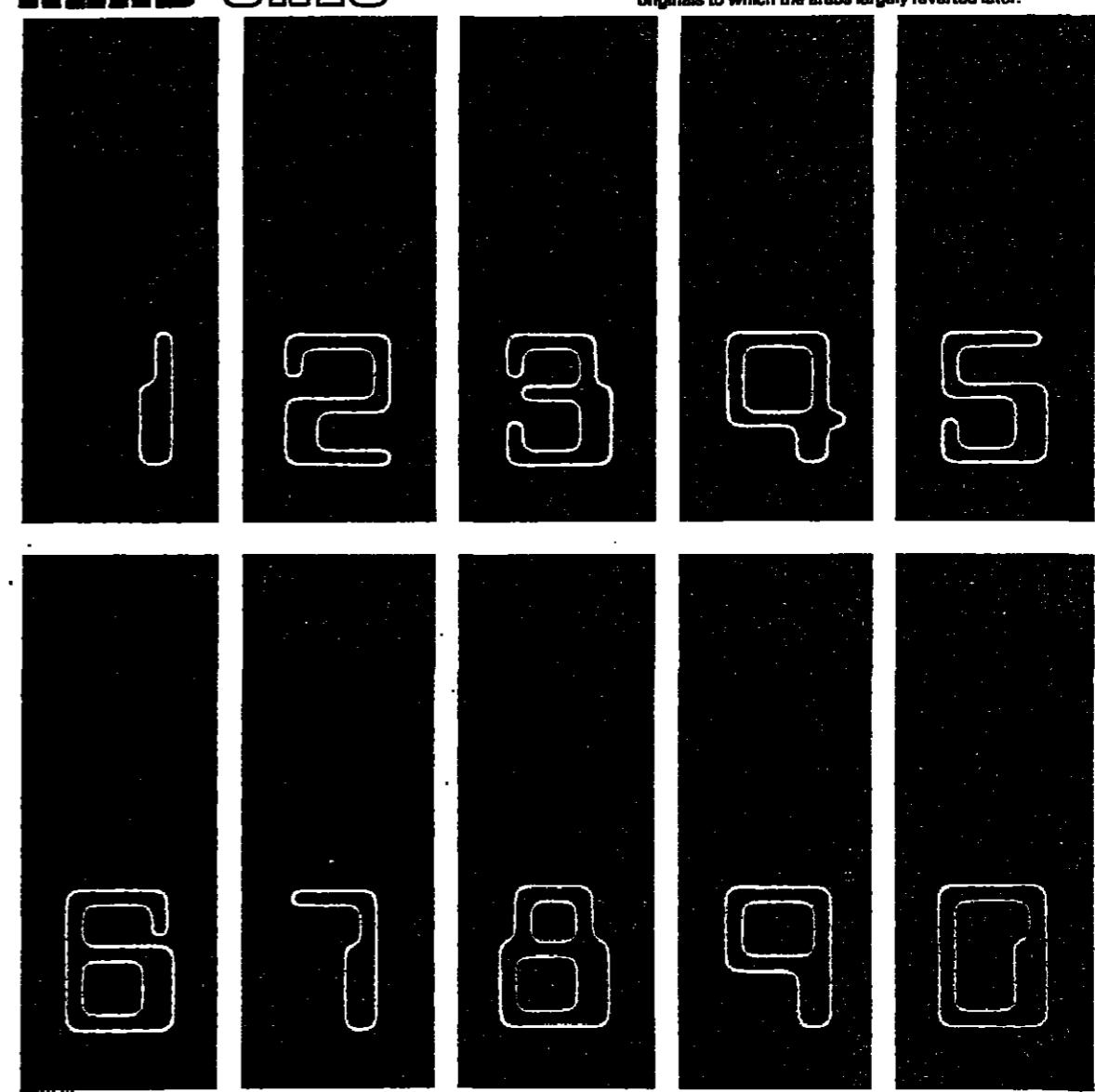
Affiliated Banks: Joint Affiliated Banks:
1—Bank Misr Lebanon 1—Egyptian International Bank 4—National Bank for Development
2—Misr International Bank 2—Suez Canal Bank 5—Joint Arab Investment Corporation
3—Misr Romanian Bank 3—Reconstruction & Housing Bank 6—The Egyptian Workers' Bank
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BALANCE SHEET AS AT 31.12.1982 (in L.E. '000)

Assets	1982	1981	Liabilities	1982	1981
Cash in Hand and due from Banks	84,636	71,099	Deposits and due to Banks	177,197	136,001
Investments	2,296	1,241	Other Credit Balances and Provisions	8,934	8,629
Advances	116,395	83,564	Capital	10,000	7,500
Other Debit Balances	694	903	Reserves	4,167	1,515
Fixed Assets (after depreciation)	1,389	1,314	Net Profit	5,007	4,476
			Profit Carried Forward	105	
	205,410	158,121		205,410	158,121
Commitments and Contingencies	83,870	73,210	Commitments and Contingencies	83,870	73,210

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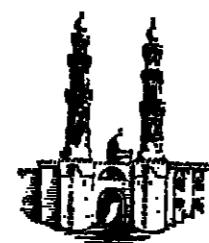
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FINANCIAL STATEMENT AS AT 30th JUNE 1982

IN THOUSANDS OF EGYPTIAN POUNDS

LIABILITIES	L.E.	ASSETS	L.E.
Capital, Reserves and Provisions	308,601	Cash in Hand & Balances with Banks & Correspondents	1,178,969
Deposits & Current Accounts	2,004,824	Total Investments	179,704
Banks & Correspondents	258,933	Total Advances & Loans	1,341,119
Sundry Credit Balances	190,623	Sundry Debit Balances	63,189
	2,762,981		2,762,981
Contra Accounts	1,270,483	Contra Accounts	1,270,483
		Net Profit	54,691

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The Central Bank of Egypt

Role shifts to lending for projects

Banking

CHARLES RICHARDS

lated by the CBE make the effort worthwhile.

One or two specialist joint venture banks, such as the Misr Exterior, dealing almost exclusively with Spanish customers, find that they have a captive market. Misr Exterior reports that in the first ten months of operations it handled \$5m of business, of which \$3m was for the import of military trucks from Spain.

Foreign branches confined to dealing in hard currency have obviously not been affected by the credit ceiling. Hardest hit have been new banks trying to establish themselves, and wholly-owned Egyptian banks that have been lending between 100 and 200 per cent over their deposit bases.

The CBE is imposing sanctions such as the withdrawal of permits to open new branches until banks conform to banking regulations.

Careless lending has led to a number of cases in the courts. Several senior executives of the Suez Canal bank have appeared to give evidence on why they lent money to a runaway bankrupt.

Differential interest rates apply for different types of economic activity, a minimum of 16 per cent for commercial activities and a maximum of 18 per cent for agriculture.

To try to curb the growth in the money supply, which had been running at 44 per cent, the CBE has introduced a 65 per cent ceiling on the proportion of the deposit base that may be lent out — in effect instituting a reserve base of 35 per cent.

Dr al Saeed, pointing a finger at the "social alliance of merchants and bankers," asserts that the commercial sector now gets only 25.5m in credit facilities compared to 155m before.

Some bankers maintain that many of the changes in the structure of their financing operations result from the maturing of the Egyptian economy.

Open door

Since the inauguration of the open door policy in 1974, about 70 new banks have set up in Egypt. When they first started they could engage only in trade financing since there were no viable projects to lend to. Because it takes several years to set up those projects, they confined trade financing for some time. At the same time, many banks deposited dollars on the Eurodollar market where higher interests could be obtained.

Trade has stimulated demand which is being increasingly met by local production. An indication of this move to project financing can be seen from the most recent published balance sheets of the principal banks.

The shift towards greater involvement in project financing has led Cairo Barclays International to change its status from a 50:50 Egyptian foreign investment bank to a 51 per cent Egyptian, 49 per cent Barclays joint venture able to deal in both Egyptian and hard currencies.

Citibank, hoping to follow the lead of American Express and Bank of America, is still waiting for approval to have joint venture status as well as a branch office. The Egyptian authorities now seem to suggest that Citibank can have either one or the other.

This places Citibank in a quandary. Branch offices can call on extensive resources outside the country to reconfirm letters of credit for public sector banks on a 180-day basis. Because of the shortage of available cash from central government, public sector banks are frequently late with their repayments but there are no known cases of banks defaulting on debts.

Other banks branches find that restriction on issuing licences has cut the volume of business in the private sector. High margins for interest rates stipu-

How business is done

CHARLES RICHARDS

LIKE MOST developing countries with no money, Egypt is looking for two things above all when it considers tender bids for major contracts: price and financing.

As a major market for food imports construction and the whole range of infrastructure projects, Egypt has attracted keen interest throughout the world.

With businesses desperate for export orders and governments willing to assist to protect jobs, Egypt is able to obtain large amounts of aid.

The principal donor is the U.S. Egypt's civilian aid appropriation is about \$350m a year, about 20 per cent of the total U.S. aid worldwide. Of this \$250m is in the form of PL 480 grant, mainly for wheat imports.

A further \$300m to \$350m is for the commodity import programme (CIP) for raw materials such as sugar, tobacco, wood pulp and capital goods such as locomotives and ambulances.

The remaining \$400m is divided into six main components including infrastructure (telephones, water and power), education, agriculture, industrial rehabilitation, cement plants and health and family planning.

The size of the American aid programme creates many business opportunities for American companies. Many, however, complain that they do not get the advantage of European and Japanese companies that can call on mixed or blended credits through aid money and export credit guarantee departments. The U.S. Exim Bank operates aid separately.

Even when full financing is obtained, Egypt frequently does not take up the option. A British aid agreement that included a \$50m grant and a \$100m ECGD-backed loan for an Cairo wastewater project was only officially gazetted two years after being signed.

By experience, Egypt has found if it waits long enough its rival bidders will lower their prices. This is what happened in the much publicised sale of 1m tonnes of American wheat flour to Egypt. Supplier countries are finding that Egypt will shop around on every deal and that carrying out the first deal of a contract even with aid funds, wins no special favours.

Businessmen soon learn that doing business in Egypt is not like elsewhere. GEC were issued a letter of intent for work on the Cairo wastewater project only after a Dutch auction.

Letters of intent however do not have the finality they might elsewhere. Airbus Industrie had a letter of intent to supply three Airbus 310 wide-bodied aircraft. Since then the national carrier, Egyptair, has issued a letter of acceptance for three rival planes, the Boeing 767.

President Mubarak's anti-corruption campaign, while welcome, has affected business confidence and many government departments have virtually stopped taking decisions to avoid the risks of prosecution.

Mr Mubarak maintains that there are only a few corrupt cases in Egypt in comparison with other countries. In the popular imagination, however, the private sector is interchangeable with the "fat cats" who made it good during the

have signed the appropriate bilateral nuclear agreements.

Egypt has set aside \$700m for its nuclear programme, but is expecting almost complete financing for the \$2bn first plant.

Both the West German and U.S. Governments have made it clear they are unwilling to finance such a project as the French are believed to be less willing than they used to be.

The Central Bank of Egypt waves in both those ministries. Other officials in the Supply

Ministry have been arrested.

When Mr Mubarak recently asked a group of private Egyptian businessmen what was stopping them investing in Egypt, they replied the activities of the Socialist Prosecutor.

This follows the arraignment on corruption charges of the brother of the late president, Gamal al-Sadat and members

of his family.

The dismissal of the Ministers of Supply and Industry who were named in the Esad case have created shock waves in both those ministries.

Other officials in the Supply Ministry have been arrested.

Fear has bred panic, and officials have retreated into inactivity. Purchases for the supply of Feta cheese are now put out to international tender — even though Denmark is the only country able to provide the required quantity on the right terms.

This has increased bureaucratic delays. Industrial companies are reluctant to place orders for new spare parts for fear of being accused of accepting favours from suppliers.

The anti-corruption campaign has not been without innocent casualties. But for the personal intervention of the Minister of Agriculture, two of his senior officials would have been jailed for 25 years in a bribery case that the judge eventually threw out of court.

The Central Bank of Egypt vetoes any project in the public sector that has the full 10 per cent financing rate. The rates are usually circumvented through lowering the price.

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EGYPT VII

Drive to become self-sufficient in food

Agriculture

CHARLES RICHARDS

SELF-SUFFICIENCY in food production has taken over from the establishment of heavy industry in Nasser's revolutionary Egypt as the symbol of resurrected Egyptian nationalism.

Egypt, granary of the Roman Empire, became a net importer of food in 1974 and last year imported about half its food at a cost of \$4,000m. Of every five flat brown "baladi" loaves made, two are baked with American wheat, much of it supplied under the \$250m a year PL 480 programme.

Egypt has now set as a policy goal the achievement of self-sufficiency in grain production within seven years. Despite the desire to reduce the import bill the decision, according to Dr Youssef Wali, Minister of Agriculture and Food Security, is a strategic one.

"When you lose control of grains you lose your independence. This administration of Mubarak is not like previous administrations—it is a nationalist administration."

Shortcoming

Grain production is Egypt's obvious shortcoming, and the import bill has been given only a temporary respite by low world commodity prices. At present, Egypt imports 6m tonnes of wheat, wheat flour and maize, a year at a cost of \$1,200m. This includes 75 per cent of its wheat requirements.

The size of the Egyptian market, 45m people with the highest per capita wheat consumption in the world of 170 kg a year, has made it a battleground for a trade war between U.S. and European producers, particularly France.

With another million mouths to feed every ten months, and

increased demand fuelled by greater prosperity under Egypt's open-door policy, the gap between production and consumption is likely to widen further without drastic action.

Growth in agriculture has been only 2 per cent a year over the past five years, and is planned for 3.7 per cent over the course of the 1982-83-1987-88 five-year plan.

Increased production is the slogan of the Mubarak administration and Dr Wali hopes to boost cereal production through the use of improved high-yielding strains and greater mechanisation on existing acreage.

His target is to raise maize (corn) production 100 per cent from 3.5m tonnes a year, rice production by 1m tonnes from 2.25m tonnes a year, and wheat 30 per cent from 1.9m tonnes.

At the same time he would like to rationalise consumption by finding the right formula for mixing maize and wheat flour for bread, and reducing the amount of subsidised bread fed to poultry—estimated at 2m tonnes a year.

Dr Wali is not aiming at item-by-item import substitution but self-sufficiency in overall grain production. At present world prices, an extra 1m tonnes of rice for export—Egypt's exports have slumped from 178,000 tonnes to 25,000 tonnes over the past three years—could pay for 3m tonnes of wheat.

American agricultural experts have said that a 50 to 70 per cent increase in cereal production over this period would be a more realistic target.

Successive World reports and American missions to Egypt have looked aghast at the high acreage—up to a third of Egypt's 6m acres of arable land—is planted with winter cereal ("berseem") for animal fodder.

The reports have indicated that Egypt has no comparative advantage in animal husbandry and should concentrate instead on increasing yields of cereals

and high-value export crops such as fruit, vegetables and horticultural crops—for which Egypt, because of its all-year sunshine and water, has a comparative advantage.

A report sponsored by President Reagan and prepared by Dr York of Florida University recommends that Egypt should support its national herd on wastage from grain crops. In Egypt as elsewhere rice, wheat and maize are dual-purpose crops. Farmers place greater value on wheat straw for animal feed than on grain since the state buys quotas of wheat at fixed, low prices.

Husbandry

By seeking to boost domestic cereal production, with its fodder by-products, Dr Wali is recognising that farmers will not easily give up animal husbandry.

The highly-complex cropping pattern is affected by the slightest change. Because of high profits from berseem cultivation, farmers are prepared to risk a fine from the government and leave berseem for two extra cuttings before planting their quota of cotton.

Early planting reduces yields from cotton, a government-controlled crop that earns \$600m a year in exports for the Treasury.

This year the government was stricter about cotton being planted on time. This created a shortage of fodder, pushing up the price of locally-produced meat.

The docile water buffalo is an unwitting object of a political tug of war between meat and wheat. But some economists believe that animal husbandry makes sound economic sense in Egypt.

At present the world's grain producers are failing over themselves to give or sell Egypt cereals at highly concessional terms. At the same time, since 1975 the DMO index for wheat prices has risen from 100 to 115. Over the same period, the meat

index has risen from 100 to 186. It would therefore seem much cheaper for Egypt to continue importing grain and feeding its own cattle and buffaloes.

The buffalo is also a complete farming system in itself in Egypt and the economic trade-offs involved have not been systematically studied. A buffalo ploughs, operates irrigation pumps, and is the prime source of milk and dairy products as well as being a source of red meat. Further, the clover on which it feeds pays an important role in crop rotation by fixing nitrates in the soil, saving on imports of fertilisers.

Egypt is still committed to reclaiming 2.8m acres of desert land by the turn of the century, and much hope is put on the exploitation of the fertile Sudan under a charter of integration between the two countries. But as the drift from the country to the cities continues, farmers will be called upon increasingly to grow perishable fruit and vegetables to feed the urban populations.

A new cargo airline, ZAS, has started to ship agricultural produce to Europe, a market that may be more difficult for Egypt to enter in future with the planned enlargement of the European Community to include Spain and Portugal.

However, export promotion is hindered by poor communications, uncertain quality control, and bureaucratic obstacles.



Washing a sheep in the Nile

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EGYPT VIII

Bid to win more Western tourists

A TRIP TO Egypt is a once in a lifetime visit, at least for Western tourists. This is one of the problems confronting the country's bid to boost flagging income from an industry which is one of Egypt's four main foreign exchange earners.

"About 40 per cent of our tourism comes from the Arab world," Mr Tewfik Abdou Ismail, Minister of Tourism and Civil Aviation, explains. "About 30 per cent comes from business visitors whom we include in the tourist figures. The remaining 30 per cent comes from tour parties who visit our Pyramids and ancient tombs and seldom make a return trip."

The Minister frankly admits: "To encourage tourists back on

repeat visits we need to develop the recreational side of the trade which at present hardly exists." To alter this situation the Government has decided to direct all public investment towards new tourist areas outside the popular Cairo, Luxor, Aswan and Alexandria regions.

But even when new recreational tourist centres have been developed, the Minister does not foresee them competing in price with some of the traditional Mediterranean sun, sea and sand package holiday centres. First priority is being given to developing the Red Sea coast which, it is hoped, will prove attractive to the better off hedonist.

The Minister dismisses his domestic critics who say that it

is wrong to concentrate on year.

Certainly the hotels in Cairo are bursting with life and the shock waves caused by the assassination of President Sadat are fading from people's minds. There were signs at the end of last year that tourism was on the rise. Growth in the last quarter was 16 per cent compared with the same period in the previous year.

But the most worrying problem for the Government, which badly needs every tourist dollar it can earn, is the drop in revenue from \$815m in 1981 to \$828m in 1982. Mr Ismail believes that the income levels were actually much higher, perhaps over \$1bn, but this additional income goes unrecorded because so much money is changed by tourists on the black market.

Because the black market has existed for years, it is perhaps permissible to look for additional causes of last year's income drop. A total of 1.2m tourists visited Egypt in 1982 compared to 1.27m the previous year. But the number of tourist nights fell from 8.8m in 1981 to 8.3m last year.

The source of this decline, and perhaps the cause of the drop in income may be found in the breakdown by areas of origin of the incoming tourist. Tourism from Arab countries increased its share of the total by about 1% per cent to reach 4.4 per cent, while the share of Western tourists from Europe and the U.S. fell by a similar margin to 42 per cent.

Many of the Arab tourists prefer to stay in apartments or villas rather than hotels and this reduces the amount of tourist money passing through the banking system. So while continuing to encourage Arab tourism, Egypt must concentrate greater efforts on attracting the Western visitor if revenue is to

be boosted. The largest source of Western tourists is Europe which provided 54.1 per cent of the total, with the more distant U.S. sending 13.8 per cent. Other new developments which may help to boost the flow of holiday-makers to Europe is the decision to permit unrestricted charter flights to all international airports with the exception of Cairo.

Excluding the capital, of the overall plan to develop the interest in other centres and perhaps save some of the magnificent monuments from the destruction they face under the threat of millions of tourist feet.

This is one part of the five-year plan of Mr Ismail, who has a refreshingly frank attitude to the problems facing the country as a tourist attraction. He admits, indeed emphasises, that another central factor that even limits tourism to the country's breath-taking historical sites is the fact that they are located in an unappraising environment.

Just as President Hosni Mubarak has said that he wants to improve the quality of life for the average Egyptian, so the Tourism Minister says that he wants to improve the environment for the visitor to the Pyramids, the Valley of the Kings and other sites.

Whether or not Mr Ismail succeeds in pushing through all of his plans, Egypt will remain a worthwhile tourist destination for anyone who can be touched by the awesome sight of the relics of a vanished society. The key issue for Egypt is whether this can be converted into large enough sums of money to help pay for the country's needs.

David Lennon

PROFILE: President Hosni Mubarak

Concern for the people



President Hosni Mubarak—modest manner and life style

is compatible with the expectations of a senior air force officer. Other members of the Mubarak family are purposely kept out of the public lime-light.

President Mubarak's brother is rumoured to have had to wait 18 months for a telephone to be installed in his apartment. That this remains unaccepted is entirely credible in Cairo demonstrates the conviction among the general public that the President is an incorruptible man.

He also has moments of amusing frankness. Was it not true, he was asked, that after six years as Vice-President he was uniquely well prepared to assume the greater responsibilities of the presidency? "Nonsense," he retorted, a Vice-President has no responsibility at all. "All

I would do was just give a word or two of advice on this and that."

Other accounts dispute Mr Mubarak's version of events, which could also be interpreted as a warning shot across the ambitions of would-be vice-presidential candidates.

In conversation the President's military background is not immediately apparent, but those who work closely with him report sharp flashes of anger at subordinates who fall in their tasks or who tender advice which turns out to be ill-considered. He also has an untrained dislike of learning which may yet serve him well in the presidency.

All attempts at modesty deserts him when he recounts epic battles on the squash court, especially against opponents from the highest reaches of the U.S. political establishment. Egypt won all four matches on a previous Mubarak visit to Washington, despite the difficulties of acclimatisation to the different rules there. But surely Americans don't like losing? "I know that, but I insisted," retorts a triumphant President.

Just what Mr Mubarak will come to insist on in Egyptian political terms has yet fully to emerge. When asked how best he would like to be remembered, Mr Mubarak replied simply that he would like to have done something for the people. "To find a solution for their housing, the infrastructure, for their standard of living."

"Whether that will make me remembered or not I do not know, I would just like to be convinced and feel that I have done some things for the people."

Roger Matthews

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Cheaper than rumoured

CAIRO. A RECENT survey would have us believe, is the third most expensive capital in the world for resident businessmen. It need not be. It is very possible to live cheaply and well in Egypt. But to lure reluctant businessmen to enjoy the privilege of working and living in this varied and fascinating—if at times exasperating—country, big companies pamper their staff by providing accommodation and lifestyles they could not dream of in suburban Esher and Osaka.

In Cairo there is a maid to hand, wash shirt collars, a suffragi to pour the gin and tonic, and a cool to serve the meat and two veg.

Of course, most companies pay for the servants, and pay the rent, the single most expensive item. Flats with civilised kitchens and plumbing command between £1,000 and £2,000 a month. Even for that price you may not get regular running water, but the flat will be large and spacious, with airy balconies and, often, a priceless view of the River Nile.

All basic services have improved enormously in the capital over the past five years. Electricity blackouts are not as rare as rain, but they are becoming less frequent. Phones work more often than not and an international direct-dial line can be installed for about £1,000.

A major expense for families is schooling. The choice is limited by geography. Cairo American College serves the international community in the garden suburb of Maadi. The British International School's custom-made area is fashionably Zamalek.

Black and white taxis are good and cheap, but once the drivers spots you are non-Egyptian you can forget about the meter. Outside all the main hotels fast, comfortable, air-conditioned limousines will whisk you wherever you want, at reasonable fixed prices by European standards. Down town will cost £15, including tip. A word of warning: few Cairo streets have known names and of those that do local drivers frequently seem to have less idea than anyone what they are.

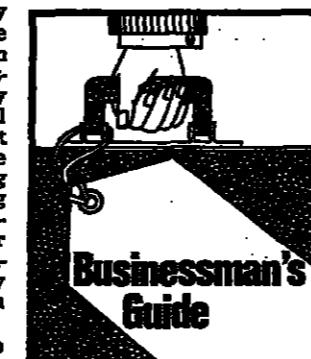
It is best to find out before starting a journey exactly where you are going. It is no good pointing to a map, few drivers know how to read one. One idea is to get a friend to write down the address of wherever you want to go in Arabic.

Car hire agencies, Bata, Avia, Hertz and Budget, all operate in Egypt. English-speaking drivers come at only a minimal extra cost.

To travel outside Cairo, there are excellent regular train and air-conditioned coach services to Alexandria. Allow four hours each way. There are daily Egyptian flights to Luxor and Aswan in Upper Egypt, though these tend to be heavily booked during the winter and Easter tourist season.

Currency Regulations

These defeat even the most adept banker. There are tourist rates, incentive rates, supply rates, rates for trade with the Eastern bloc, black market rates and in any of a number of street



kiosks "the friendly rate." It is illegal to deal in hard currency in Egypt outside a bank; many have both hard currency and Egyptian money, which is not convertible. Hotels and airlines require for payment the production of an official form showing that you have changed the money at a bank.

The Egyptian pound is pegged to the U.S. dollar at about £1=84 piastras (£1=100 piastres).

Visa is valid for three months and can be extended locally. Evidence of previous travel to Israel will not hinder visa applications to Egypt, but will stop you getting a visa to any other Arab country. You must register with the police within seven days of arrival. Most hotels will do this for you.

Health

Vaccination against smallpox and, in summer, cholera is required. For the Sudan, yellow fever vaccination is required.

Four years ago it was impossible to get a place in a hotel without a lot of wheeling or persuasion. Now Cairo is overflowing with four and five-star hotels. Visitors have the choice of those down town, such as the Nile Hilton, Shepheard's, The Rameses Hilton, the Marriot, and the Meridien. Near the airport are the Helipolis Sheraton and the Concorde. Out near the Pyramids, the Mena House Oberoi.

Hotel prices are controlled by government. A double room in the top-class hotels like the Rameses Hilton is now about £270 a night.

Food prices are controlled by government. A double room in the top-class hotels like the Rameses Hilton is now about £270 a night.

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